



**SEPTEMBER 27, 2017**  
**CITY COUNCIL CHAMBERS**  
**3:30 P.M. Closed Session; 4:30 P.M. Regular Session**  
**201 N. Broadway, Escondido, CA 92025**

MAYOR	<b>Sam Abed</b>
DEPUTY MAYOR	<b>John Masson</b>
COUNCIL MEMBERS	<b>Olga Diaz</b> <b>Ed Gallo</b> <b>Michael Morasco</b>
CITY MANAGER	<b>Jeffrey Epp</b>
CITY CLERK	<b>Diane Halverson</b>
CITY ATTORNEY	<b>Michael McGuinness</b>
DIRECTOR OF COMMUNITY DEVELOPMENT	<b>Bill Martin</b>
DIRECTOR OF ENGINEERING SERVICES	<b>Julie Procopio</b>

**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.



# Council Meeting Agenda

**September 27, 2017  
3:30 P.M. Meeting**

**Escondido City Council**

## CALL TO ORDER

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

## ORAL COMMUNICATIONS

In addition to speaking during particular agenda items, the public may address the Council on any item which is not on the agenda provided the item is within the subject matter jurisdiction of the City Council. 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 LABOR NEGOTIATOR (Government Code §54957.6)**
- a. **Agency Negotiator:** Sheryl Bennett and Jeffrey Epp  
**Employee Organization:** Escondido City Employee Association:  
Administrative/Clerical/Engineering Bargaining Unit
  - b. **Agency Negotiator:** Sheryl Bennett and Jeffrey Epp  
**Employee Organization:** Escondido City Employee Association: Supervisory  
Bargaining Unit
  - c. **Agency Negotiator:** Sheryl Bennett and Jeffrey Epp  
**Employee Organization:** Escondido Police Officers' Association
  - d. **Agency Negotiator:** Sheryl Bennett and Jeffrey Epp  
**Employee Organization:** Escondido Firefighters' Association
  - e. **Agency Negotiator:** Sheryl Bennett and Jeffrey Epp  
**Employee Organization:** Non-Sworn Police Bargaining Unit

## ADJOURNMENT



# Council Meeting Agenda

**September 27, 2017  
4:30 P.M. Meeting**

**Escondido City Council**

## **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**

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

**PRESENTATIONS:** SANDAG - I-15 Express Lanes

## **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.) 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.

## 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: None Scheduled**

4. **WRITE-OFF OF CITY RECEIVABLES BUDGET ADJUSTMENT - FISCAL YEAR 2016/2017 -**  
Request the City Council approve the write-off of various receivables and the related budget adjustment.

Staff Recommendation: **Approval (Finance Department: Sheryl Bennett)**

5. **BUDGET ADJUSTMENT FOR NIKI DE SAINT PHALLE ENDOWMENT FUND -**  
Request the City Council approve a budget adjustment to create a capital project to fund educational and other public art-related activities.

Staff Recommendation: **Approval (Community Development Department: Bill Martin)**

6. **UNITED STATES SECRET SERVICE TASK FORCE FUNDING AND BUDGET ADJUSTMENT -**  
Request the City Council approve authorizing the Escondido Police Department to accept reimbursement from the United States Secret Service for participation in task force related activities; authorize the Chief of Police or his designee to execute memorandum of understanding documents on behalf of the City; and approve budget adjustments needed to spend task force funds.

Staff Recommendation: **Approval (Police Department: Craig Carter)**

7. **FISCAL YEAR 2017-18 STATE OF CALIFORNIA OFFICE OF TRAFFIC SAFETY PEDESTRIAN AND BICYCLE SAFETY PROGRAM GRANT AND BUDGET ADJUSTMENT -**  
Request the City Council approve authorizing the Escondido Police Department to accept a Fiscal Year 2017-18 California Office of Traffic Safety Pedestrian and Bicycle Safety Program Grant in the amount of \$25,000; authorize the Chief of Police or his designee to execute grant documents on behalf of the City; and approve budget adjustments needed to spend grant funds.

Staff Recommendation: **Approval (Police Department: Craig Carter)**

## 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.)

## WORKSHOP

8. [CALPERS PENSION WORKSHOP - ANALYSIS OF UNFUNDED LIABILITIES -](#)

Request the City Council receive and file the presentation regarding unfunded liabilities.

Staff Recommendation: **Receive and File (Finance Department: Sheryl Bennett)**

## FUTURE AGENDA

9. [FUTURE AGENDA -](#)

The purpose of this item is to identify issues presently known to staff or which members of the City 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)**

## COUNCIL MEMBERS' SUBCOMMITTEE REPORTS

## CITY MANAGER'S WEEKLY ACTIVITY REPORT

The most current information from the City Manager regarding Economic Development, Capital Improvement Projects, Public Safety and Community Development.

- [WEEKLY ACTIVITY REPORT -](#)

## ORAL COMMUNICATIONS

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## ADJOURNMENT

### UPCOMING MEETING SCHEDULE

Date	Day	Time	Meeting Type	Location
October 4	Wednesday	4:00 p.m.	Town Hall Meeting	Council Chambers
October 11	Wednesday	3:30 & 4:30 PM	Regular Meeting	Council Chambers
October 18	Wednesday	3:30 & 4:30 PM	Regular Meeting	Council Chambers
October 25	Wednesday	3:30 & 4:30 PM	Regular 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.

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

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.

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

- Online at <http://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](http://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 839-4643. 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.*



Agenda Item No.: 1  
Date: September 27, 2017

**A F F I D A V I T S**

**O F**

**I T E M**

**P O S T I N G**





Agenda Item No.: 2  
Date: September 27, 2017

**APPROVAL**

**OF**

**WARRANT REGISTER**



Agenda Item No.: 3  
Date: September 27, 2017

**APPROVAL**  
**OF**  
**MINUTES**



# CITY COUNCIL STAFF REPORT

**Consent Item No. 4**

**September 27, 2017**

**File No. 0430-80**

**SUBJECT:** Write-off of City Receivables Budget Adjustment – Fiscal Year 2016/2017

**DEPARTMENT:** Finance Department  
Housing and Neighborhood Services Department

**RECOMMENDATION:**

It is requested that the City Council approve the write-off of various receivables and the related budget adjustment.

**FISCAL ANALYSIS:**

The total amount of the write-off is \$50,000. All reasonable means of collection and/or recouping funds have been completed. This write-off of uncollectable loans is necessary to accurately report the City's overall financial status without overstating assets.

**CORRELATION TO THE CITY COUNCIL ACTION PLAN:**

This item relates to the City Council's Action Plan regarding Fiscal Management by ensuring the City's financial statement records are accurately reflected in accordance with Generally Accepted Accounting Principles.

**PREVIOUS ACTION:**

On December 12, 2012, the City Council adopted Resolution No. 2012-172 establishing policies for uncollectible receivables and setting the standards of when the City should remove the receivable from the financial records. In accordance with the policy, all amounts over \$5,000 are being submitted to the City Council as a group.

**BACKGROUND:**

The current fiscal year write-off includes the following housing loans:

Account Type	Justification	Original Balance	Amount Collected	Write Off Amount
First Time Homebuyer Loan - HELP	Foreclosure/Trustee Sale	\$ 25,000.00	-	\$ 25,000.00
First Time Homebuyer Loan - HELP	Foreclosure/Trustee Sale	\$ 25,000.00	-	\$ 25,000.00

**Total Fiscal Year 2016/2017 Write Off \$ 50,000.00**

The Housing Division currently oversees 489 active loans made to promote home ownership and provide safe and decent housing for target households. The funding for these loans has the express purpose of assisting households with specific income limitations and has no bearing on the General Fund.

The current loan write-off request involves two first-time homebuyer loans made in 2007 to low-income households. Both loans were originally for \$25,000; both went through a foreclosure process and must be completely written off. Housing Division staff works closely with the City Attorney's office regarding all housing loan defaults, foreclosures, and settlement negotiations with property owners and/or their representatives in an effort to secure partial payment opportunities prior to writing off loans.

The Housing Division initiated a more rigorous first time homebuyer loan screening process in 2012 involving front-end and back-end ratios, and "gap" analysis. Applicants involved in this cycle's housing loan write-offs were processed prior to 2012 and did not undergo this new screening process.

APPROVED AND ACKNOWLEDGED ELECTRONICALLY BY:

*Sheryl Bennett*, Deputy City Manager, Administrative Services  
9/19/2017 9:38 a.m.

ATTACHMENTS:

1. Budget Adjustment Request



CITY OF ESCONDIDO  
BUDGET ADJUSTMENT REQUEST

Date of Request: September 27, 2017 (FY2016/2017)  
Department: Finance  
Division: \_\_\_\_\_  
Project/Budget Manager: Christina Holmes 4620  
Name Extension  
Council Date (if applicable): September 27, 2017  
(attach copy of staff report)

For Finance Use Only	
Log #	<u>BA 06-10</u>
Fiscal Year	<u>2017</u>
_____	Budget Balances
_____	General Fund Accts
_____	Revenue
_____	Interfund Transfers
_____	Fund Balance

Project/Account Description	Account Number	Amount of Increase	Amount of Decrease
Loan Writeoffs	5199-284-084	50,000	
Fund Balance	3050-284		50,000

Explanation of Request:

To write off 2 housing loans for FY2016/2017 where all reasonable means of collection and/or recouping funds have been completed.

**APPROVALS**

<u>[Signature]</u> Department Head	<u>9-20-17</u> Date	_____	_____
<u>[Signature]</u> Finance	<u>9/20/17</u> Date	_____	_____

Distribution (after approval): Original: Finance

## CITY COUNCIL STAFF REPORT

**Consent Item No. 5**

**September 27, 2017**

**File No. 0430-80**

SUBJECT: Budget Adjustment for Niki de Saint Phalle Endowment Fund

DEPARTMENT: Community Development Department, Public Art Administration

RECOMMENDATION:

It is requested that the City Council approve a budget adjustment to create a capital project to fund educational and other public art-related activities.

FISCAL ANALYSIS:

\$39,491 would be transferred from the Niki de Saint Phalle Endowment Fund (current balance is \$139,491) to a new capital project (Queen Califia Education) to fund educational opportunities related to Queen Califia. The Endowment Fund is a trust fund, previously established with Public Art funds. After creation of the Queen Califia Education program, the original \$100,000 will remain in the Endowment fund, continuing to accrue interest to be used at a later date. There would be no impact to the General Fund.

CORRELATION TO THE CITY COUNCIL ACTION PLAN:

This item relates to the Council's Action Plan regarding Image and Appearance, and would establish a mechanism to fund educational opportunities focused upon Queen Califia's Magical Circle.

PREVIOUS ACTION:

On October 15, 2003, the City Council established the Niki de Saint Phalle Endowment Fund.

BACKGROUND:

The Niki de Saint Phalle Endowment Fund was established in 2003, around the completion of Queen Califia's Magical Circle, with an initial deposit of \$100,000. The Fund's intent was to fund various educational opportunities using earned interest. Since its inception, the public made multiple donations to the Fund. Creation of a capital project budget will allow funds to be used for educational and other public art opportunities related to Queen Califia.

From January 13, 2018, through March 4, 2018, the California Center for the Arts Escondido (CCAE) will curate an exhibit featuring the life and works of Niki de Saint Phalle. This exhibit is anticipated to draw attendees from the San Diego region and international audiences and will feature Queen Califia's Magical Circle as well as "Altar O.A.S." at the Escondido Arts Partnership Municipal Gallery.

Budget Adjustment for Niki de Saint Phalle Endowment Fund  
September 27, 2017  
Page 2

The CCAE has requested the City of Escondido sponsor the exhibition book. Queen Califia Education funds will be used for this sponsorship.

APPROVED AND ACKNOWLEDGED ELECTRONICALLY BY:

*Bill Martín*, Director of Community Development  
9/20/2017 4:21p.m.

*Karen Youel* Hous. & Neigh. Svs. Manager  
9/19/2017 9:49 a.m.

ATTACHMENTS:

1. Budget Adjustment Request







## CITY COUNCIL STAFF REPORT

Consent Item No. 6

September 27, 2017

File No. 0430-80

SUBJECT: United States Secret Service Task Force Funding

DEPARTMENT: Police Department

RECOMMENDATION:

It is requested that the City Council authorize the Escondido Police Department to accept reimbursement from the United States Secret Service for participation in task force related activities; authorize the Chief of Police or his designee to execute memorandum of understanding (MOU) documents on behalf of the City; and approve budget adjustments needed to spend task force funds.

FISCAL ANALYSIS:

This action will have no impact on the FY 2017-18 General Fund Budget. Task force funds will cover overtime expenses and supply costs related to task force activities.

PREVIOUS ACTION:

None

BACKGROUND:

The Escondido Police Department and the United States Secret Service entered into an agreement to work cooperatively with the Electronic Crimes Task Force (ECTF). The mission of this task force is to investigate, identify and arrest individuals involved in technology based criminal activity. The agreement covers supplies and overtime expenses related to task force activities.

APPROVED AND ACKNOWLEDGED ELECTRONICALLY BY:

*Craig Carter*, Chief of Police  
9/19/2017 11:54 a.m.

ATTACHMENTS:

None



## CITY COUNCIL STAFF REPORT

Consent Item No. 7

September 27, 2017

File No. 0480-70

SUBJECT: FY 2017-18 State of California Office of Traffic Safety Pedestrian and Bicycle Safety Program Grant

DEPARTMENT: Police Department

RECOMMENDATION:

It is requested that the City Council authorize the Escondido Police Department to accept a FY 2017-18 California Office of Traffic Safety (OTS) Pedestrian and Bicycle Safety Program Grant in the amount of \$25,000; authorize the Chief of Police or his designee to execute grant documents on behalf of the City; and approve budget adjustments needed to spend grant funds.

FISCAL ANALYSIS:

This action will have no impact on the FY 2017-18 General Fund Budget. Grant funds will pay overtime expenses related to traffic safety education activities and traffic safety supplies.

PREVIOUS ACTION:

The City Council accepted a FY 2017-18 California Office of Traffic Safety Selective Enforcement Grant in the amount of \$510,000 on August 16, 2017.

BACKGROUND:

The Police Department received a FY 2017-18 State of California Office of Traffic Safety Grant in the amount of \$25,000. Grant funds will enhance traffic safety programs from October 1, 2017, through September 30, 2018. The Police Department will use these funds to pay for police officer overtime for educational programs related to bicycle and pedestrian safety. Grant funds will also cover bicycle helmets, educational materials, and safety supplies for community members.

APPROVED AND ACKNOWLEDGED ELECTRONICALLY BY:

*Craig Carter*, Chief of Police  
9/19/2017 11:54 a.m.

ATTACHMENTS:

1. Budget Adjustment Request



CITY OF ESCONDIDO

BUDGET ADJUSTMENT REQUEST

Date of Request: September 19, 2017

Department: Police

Division: Administration

Project/Budget Manager: Lisa Rodelo 4905  
 Name Extension

Council Date (if applicable): September 27, 2017  
 (attach copy of staff report)

For Finance Use Only	
Log #	<u>B/A 09-05</u>
Fiscal Year	<u>2018</u>
_____	Budget Balances
_____	General Fund Accts
_____	Revenue
_____	Interfund Transfers
_____	Fund Balance

Project/Account Description	Account Number	Amount of Increase	Amount of Decrease
Revenue	4128-451-New Project Number	\$25,000	
Police Grants	451-New Project Number	\$25,000	

Explanation of Request:

Budget adjustments are needed to receive grant funds and establish a spending account for overtime and supply expenses related to the FY 2017-18 State of California Office of Traffic Safety Bicycle and Pedestrian Safety Grant.

APPROVALS

 Department Head _____ Finance	Date <u>9-19-17</u> _____ Date	City Manager _____ Date	_____ Date
 Finance	Date <u>9/19/17</u> _____ Date	City Clerk _____ Date	_____ Date

Distribution (after approval): Original: Finance

## CITY COUNCIL STAFF REPORT

**Workshop Item No. 8**

**September 27, 2017**

**File No. 0460-20**

SUBJECT: CalPERS Pension Funding Workshop

DEPARTMENT: Administrative Services Department

RECOMMENDATION:

It is requested that the City Council receive and file workshop information and provide policy direction on various options to address long-term funding needs.

FISCAL ANALYSIS:

Ongoing information for budget planning purposes.

BACKGROUND:

For the past several years, the Escondido City Council has adopted a balanced budget without the use of reserves. Financial stability is one of the four parts of the City Council Action Plan. Planning ahead is a key part of maintaining financial stability.

Generally speaking, full-time employees of the City are members of the California Public Employees Retirement System (CalPERS), which is a defined benefit pension plan. The financial woes of CalPERS have been widely discussed for some time. Both CalPERS and numerous financial experts agree that due to funding short falls in recent years, plan design changes had to be made. In 2013 California pension reform became law under Public Employees' Pension Reform Act, which reduced pension benefits of newly hired employees. However, savings from the reform will take many years to be realized.

The general fund budget which was adopted by the Escondido City Council on June 14, 2017, projected future deficits because of the issue commonly known as the "CalPERS unfunded liability." The future deficits are primarily related to the CalPERS' unfunded liabilities. Deficits in 2018-19 were estimated at \$1.8 million and in 2019-20 were estimated at \$6.5 million assuming the use of one-time General Fund sources from the Redevelopment loan repayment.

In order to deal with potential long-term budget impacts as a result of pension liabilities, the City embarked on a comprehensive plan to work with all of the City's bargaining units to address this important issue. Prior to the Public Employee Pension Reform Act of 2013 (PEPRA), the City already had escalating cost-sharing formulas in place for its employees and had already reduced the pension benefit formulas for both Miscellaneous and Safety employees. With the passage of PEPRA, the City implemented all the required pension reform measures, including lowering of pension formulas for all new employees. Pension reform for existing employees included the elimination of Employer Paid Member Contribution (EPMC) and increasing employee-paid contributions. The implementation of the

increased cost sharing by City employees is well in advance of the January 1, 2018 date where such cost increases may be imposed by an employer under state law.

The following depicts the change in retirement benefits since the City began implementing pension reform measures:

### **Miscellaneous Employees (Non-Safety)**

#### **Tier I**

3% at age 60 – Single highest year salary calculation  
Employee Contribution 8% of salary

#### **TIER II**

2% at age 60 – 12-23-2012 - Average highest three-year salary calculation  
Employee Contribution 7% of salary

#### **TIER III**

2% at age 62 – 01-01-2013 - Average highest three-year salary calculation  
Employee Contribution 6.25% of salary

### **Safety Employees (Police and Fire)**

#### **Tier I**

3% at age 50 – Single highest year salary calculation  
Employee Contribution 9% of salary

#### **TIER II**

2% at age 50 – 2012 - Average highest three-year salary calculation  
Employee Contribution 9% of salary

#### **TIER III**

2.7% at age 57 – 01-01-2013 - Average highest three-year salary calculation  
Employee Contribution 12.25% of salary

Combined, these actions represent a major collaboration between the City and its employees, bringing budgetary savings as employees now pay the full employee share of their CalPERS pension and additional long-term savings from the second and third-tier pension structure for new employees. These pension reform measures are significant achievements. However, the City and its employees still face major financial hurdles related to pensions.

### **City's Unfunded Liabilities**

To assure pension sustainability, the CalPERS Board periodically reviews specific factors to determine if adjustments need to be made which can impact the long-term funding of the system. Over the past few years, adjustments have been made to demographic assumptions such as higher salaries and retirement rates, and also the expectation that retired employees are living longer. Since these assumptions ultimately impact employer pension costs, the Board also developed a strategic plan to spread out costs to local public agencies over 20 years, with increases phased in over five years beginning in Fiscal Year 2016-17.

The CalPERS Board has also recently made adjustments to the discount rate (assumed rate of return), which will also impact public agencies. The discount rate will be incrementally lowered from 7.5% to 7.0% within the next three years, beginning Fiscal Year 2018-19.

Investment earning affect how much future benefit payments can be funded by investment income rather than by contributions. If lower investment earning occur, future contributions must increase to make up the expected difference. The volatility of the investment earnings in recent years have been a significant contributor to the required employer contribution. CalPERS investment returns in the last six fiscal years have been:

2012	0.1%
2013	13.2%
2014	18.4%
2015	2.4%
2016	0.6%
2017	11.2%

CalPERS total net investment returns in recent years have been well under the assumed 7.5%. For the past 10 years, the average annual returns have been closer to 5.0%.

Lowering the discount rate increases the City’s unfunded liabilities. CalPERS has implemented a 30-year amortization payment schedule for agencies to pay off their unfunded liabilities in 30 years. For Fiscal Year 2017-18, the City’s payment towards unfunded liabilities is \$13.7 million.

The below chart depicts by fiscal year, the City’s total projected CalPERS payments, including the portion that is categorized as the unfunded liability portion.

<b>CalPERS CONTRIBUTIONS (In Millions)</b>		
<b>Fiscal Year</b>	<b>Unfunded Liability Portion</b>	<b>Total PERS Projected Cost</b>
2017-18	\$13.7	\$22.5
2018-19	\$16.2	\$25.6
2019-20	\$19.1	\$28.8
2020-21	\$21.4	\$32.1
2021-22	\$24.2	\$35.2
2022-23	\$26.7	\$37.8

CalPERS has also changed the methodology in the way agencies are now billed. In the past, CalPERS billed agencies on a percentage of payroll for both the normal cost and unfunded liability portion. Beginning in Fiscal Year 2017-18, CalPERS now bills agencies the normal cost on a percentage of payroll; however, the unfunded liability portion is factored as a flat-dollar amount and billed monthly. The purpose in the change is to ensure that CalPERS is properly funded. For example, if an agency were to reduce staffing, the normal cost would be reduced but there would be no change to the unfunded liability obligation.

The result of the increased payments to the budget projections in the upcoming fiscal years is shown in the below table.

<b>Escondido General Fund Multi-Year Financial Plan</b>					
	<b>Adopted</b>	<b>Projected</b>	<b>Projected</b>	Projected	<b>Projected</b>
	<b>FY 2017-18</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>	FY 2020-21	<b>FY 2021-22</b>
Operating Revenue	\$ 97.30	\$ 99.20	\$ 101.20	\$ 103.20	\$ 105.30
Transfers In	2.1	2.1	2.1	2.1	2.1
<b>Total Sources</b>	<b>\$ 99.40</b>	<b>\$ 101.30</b>	<b>\$ 103.30</b>	<b>\$ 105.30</b>	<b>\$ 107.40</b>
Required PERS Contribution	\$ 17.40	\$ 19.60	\$ 22.20	\$ 24.80	\$ 27.20
Operating Budget - All Other	81.3	85.5	88.7	91.8	95.0
Transfer Out	0.7	0.7	0.7	0.7	0.7
<b>Total Uses</b>	<b>\$ 99.40</b>	<b>\$ 105.80</b>	<b>\$ 111.60</b>	<b>\$ 117.30</b>	<b>\$ 122.90</b>
<b>Total Sources Over/(Under) Uses</b>	<b>\$ -</b>	<b>\$ (4.50)</b>	<b>\$ (8.30)</b>	<b>\$ (12.00)</b>	<b>\$ (15.50)</b>
<b>\$ in millions</b>					

Pension funding will be the biggest financial challenge the City and its employees will face over the next decade. Key steps that will need to be taken are outlined below.

**Step 1: Establish the City’s Priorities**

Staff has identified two priorities facing the City as a result of the growing unfunded pension liability. The first priority is obviously to address the necessary pension contributions, toward both the normal and the unfunded portion, and to do so promptly and prevent severe cuts to City services. A second objective is to address the unfunded liability portion of the required payments earlier than the 30-year amortization period required by CalPERS. Addressing the unfunded liability portion will result in significant cost savings to the City in the long term, and again, avoid severe cuts to City services or other more dire consequences.

California cities and counties will see their required pension contributions double in 10 years. The City of Escondido and its employees are no exception. The Fiscal Year 2017-18 employer required

pension contribution for the City’s General Fund is \$17.4 million and is projected to increase by \$15.4 million to reach \$32.8 million by Fiscal Year 2027-28. These increasing contributions are required by CalPERS because the City’s combined unfunded pension liability for both City plans (safety and miscellaneous) grew by \$181 million to reach \$244 million in just 10 years. The reasons for this increase were described in the City’s Unfunded Liabilities section of this Staff Report. Realistically speaking, General Fund revenue growth will not keep up with these increases.

The following chart illustrates the two primary factors. The first factor is the City’s General Fund operating budget and the second factor is the required employer pension contributions. Currently, in Fiscal Year 2017-18, the required employer pension contribution for the General Fund is \$17.4 million and the adopted operating budget is \$98.7 million so 18% of the General Fund operating budget goes to paying the pension cost. The City’s policy is to adopt a structurally balanced budget each year so by Fiscal Year 2027-28, if the City follows this policy, the percentage of General Fund operating budget committed to paying the required pension cost will climb to 27% of the operating budget. Unless meaningful action is taken, as these pension costs rise, they will require a larger share of the operating budget resulting in reduced services in the City.

Escondido Pension Costs as % of General Fund Operating Budget			
Fiscal Year	2007-08	2017-18	2027-28*
General Fund Operating Budget	\$85.6	\$98.7	\$120.0
Required Pension Contribution	\$11.0	\$17.4	\$32.8
Pension Cost as % of General Fund Operating Budget	13%	18%	27%
\$ in millions			
* Assumes General Fund adopts a balanced operating budget			

As noted above, the City’s first priority is to make sure the required pension contributions (both normal and unfunded liability) are made each year to CalPERS. However, a “do-nothing” scenario using our current amortization schedules will pay off the City’s unfunded liability in 30 years but only by incurring huge (indeed, unrealistic) budget deficits each year. On the other hand, if the City and its employees do not make the required payments, the result will be dire, for the City, and its current and future retirees. Thus, the goal in the short term is to find ways to reduce or stabilize the required pension contribution and explore options that will provide budget flexibility to the City.

However, the City may also choose to pay more on each of the longer amortization bases that make up the unfunded liability portion. The City’s unfunded liability is made up of separate payment schedules following different amortization policies depending on the cause of the base and what year the liability was created. CalPERS refers to these payment schedules as amortization bases. Each base is separately amortized and paid for over a specific period of time. This can be likened to a home mortgage that has 24 years of remaining payments and a second on that mortgage that has 10 years left. On April 17, 2013, the CalPERS board adopted a new asset smoothing policy that was included in the June 30, 2013 valuation. This policy employs a 30-year fixed amortization with a five-year ramp up to pay off the unfunded liability. The five-year ramp effectively defers the full cost of the



unfunded liability over time with the upside of giving the City time to plan for the increase and the downside being additional interest costs. By paying the full amount sooner and shortening the amortization period, the City can realize significant additional interest savings in the long run.

## **Step 2: Identify Funding Sources**

To meet the City's above priorities, additional funding sources or costing saving measures must be identified that can be used to stabilize or reduce the employer required contribution in the short term and provide interest cost savings in the long run. Various options the City may consider are listed below:

1. Payments from sources of one-time money
2. Borrow from excess reserves of the General Fund or other City funds
3. Cuts in services which the City provides
4. Ongoing budgetary changes that result in savings (changes in the workforce, outsourcing, etc.)
5. Employees paying a higher share of the pension cost
6. Sales tax increase or other ongoing revenue increases

However, each of these alternatives has pros and cons, and some alternatives are also insufficient, by themselves, to adequately address the problem.

## **Step 3: Section 115 Trust Option**

Historically, Internal Revenue Code (IRC) Section 115 Irrevocable trusts have been used to pre-fund Other Post-Employment Benefits (OPEB). In 2015, Public Agency Retirement Services (PARS) received a favorable private letter ruling from the Internal Revenue Service that allows public agencies to pre-fund pension obligations in a Section 115 Irrevocable Trust. This ruling allows the City to safely and securely set aside funds, separate and apart from the state retirement system, in a tax-exempt irrevocable trust to reduce pension liabilities and stabilize pension costs. Establishing a Trust for both rate stabilization and pre-funding will provide the City with an alternative to sending funds directly to CalPERS.

## **Step 4: Recommendation and Next Steps**

At this workshop, staff recommends that the City Council ask any questions they may have and assist in making sure that the Council, the employees, and the public have a thorough understanding of the difficult problem we face. Staff is requesting that Council provide policy direction on the various funding sources identified above. Staff is also requesting policy direction on whether or not to pursue a Section 115 Pension Trust as a mechanism for addressing this issue. And finally, Council policy direction on the various funding sources and options is also requested. In addition to a Section 115 Pension Trust, other options to consider for the use of these funds are outlined below along with the advantages and disadvantages of each.

1. Establish a Section 115 Pension Trust

Advantages

- Assets can be accessed any time to offset contribution rate increases (rate stabilization) or as a rainy day fund during adverse budgetary or economic conditions
- Investments held in an irrevocable trust are significantly less restricted than General Fund investments which will likely produce a higher investment return
- More local control and oversight of investment fund management and monitoring performance of investments
- Investment security with the Trust compared to CalPERS investment return fluctuations
- Trust assets can be used to reduce pension liability reported on City's financial statements
- Potential improvement in the City's credit rating

Disadvantages

- Assets can only be used to pay the City's pension obligations

2. Make one-time payments directly to CalPERS unfunded liability and pay off the shorter amortization bases

Advantages

- Lowers required unfunded pension liability contribution in the short-term

Disadvantages

- Less budget flexibility because once payment is made to CalPERS it cannot be used in the future to offset contribution rate increases or economic slowdowns

3. Make one-time payments directly to CalPERS unfunded liability and pay off the longer amortization bases

Advantages

- More interest savings in the long-term

Disadvantages

- Less budget flexibility because once payment is made to CalPERS it cannot be used in the future to offset contribution rate increases or economic slowdowns

4. Set-up a City Internal Service Fund

Advantages

- Funds can be accessed any time to offset contribution rate increases (rate stabilization) or as a rainy day fund during adverse budgetary or economic conditions

- Asset can be used by Council for other purposes

Disadvantages

- Restricted investments
- Assets do not reduce pension liability reported on City's financial statements

Staff will listen to policy direction and return with a Pension Funding Policy that identify ways to use these above funding sources to eliminate future projected deficits caused by these rising pension costs. The goals of this policy will be to stabilize or reduce required pension contributions, provide budget flexibility, allow for City control over assets, and provide long-term structural stability for the City.

Many cities believe that any meaningful action must come from the State. However, cities that do not take meaningful actions themselves risk deficits and bankruptcy for their city. The City of Escondido must not be one of these cities.

For more detailed information, Escondido CALPERS Valuations are located on the City's website at: <https://www.escondido.org/pers-actuarial-valuation-reports.aspx>,

Other resources may be found at <https://www.calpers.ca.gov/>

APPROVED AND ACKNOWLEDGED ELECTRONICALLY BY:

*Sheryl Bennett*, Deputy City Manager, Admin. Svs.  
9/26/2017 9:46 a.m.

*Joan Ryan*, Assistant Director of Finance  
9/26/2017 9:47 a.m.

ATTACHMENTS:

1. Bartel Associates, LLC - PowerPoint Presentation



**CITY OF ESCONDIDO  
SAFETY AND MISCELLANEOUS PLANS**

**CalPERS Actuarial Issues – 6/30/16 Valuation  
Preliminary Results**

*Presented by* **John Bartel, President**  
*Prepared by* Bianca Lin, Assistant Vice President  
Matthew Childs, Actuarial Analyst  
**Bartel Associates, LLC**  
September 27, 2017

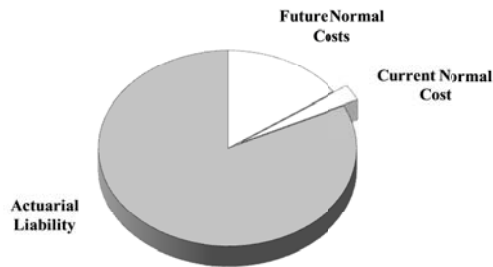
**Agenda**

<u>Topic</u>	<u>Page</u>
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CalPERS Changes	8
Safety Plan:	
Demographic Information	11
Plan Funded Status	13
Contribution Rates & Projections	17
Miscellaneous Plan:	
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Contribution Rates & Projections	33
Paying Down Unfunded Liability & Rate Stabilization	43



## DEFINITIONS

**Present Value of Benefits  
June 30, 2016**



- **PVB - Present Value of all Projected Benefits:**
  - Discounted value (at valuation date - 6/30/16), of all future expected benefit payments based on various (actuarial) assumptions
- **Actuarial Liability:**
  - Discounted value (at valuation date) of benefits earned through valuation date [value of past service benefit]
  - Portion of PVB “earned” at measurement
- **Current Normal Cost:**
  - Portion of PVB allocated to (or “earned” during) current year
  - Value of employee and employer current service benefit



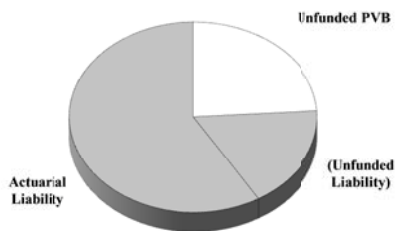
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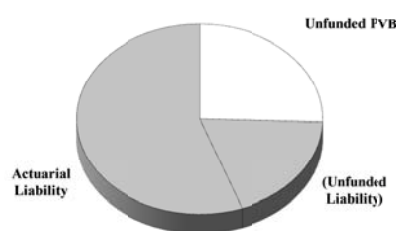


## DEFINITIONS

**Present Value of Benefits  
June 30, 2015**



**Present Value of Benefits  
June 30, 2016**



- **Target-** Have money in the bank to cover Actuarial Liability (past service)
- **Unfunded Liability** - Money short of target at valuation date
- **Excess Assets / Surplus:**
  - Money over and above target at that point in time
  - Doesn't mean you're done contributing



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## HOW WE GOT HERE

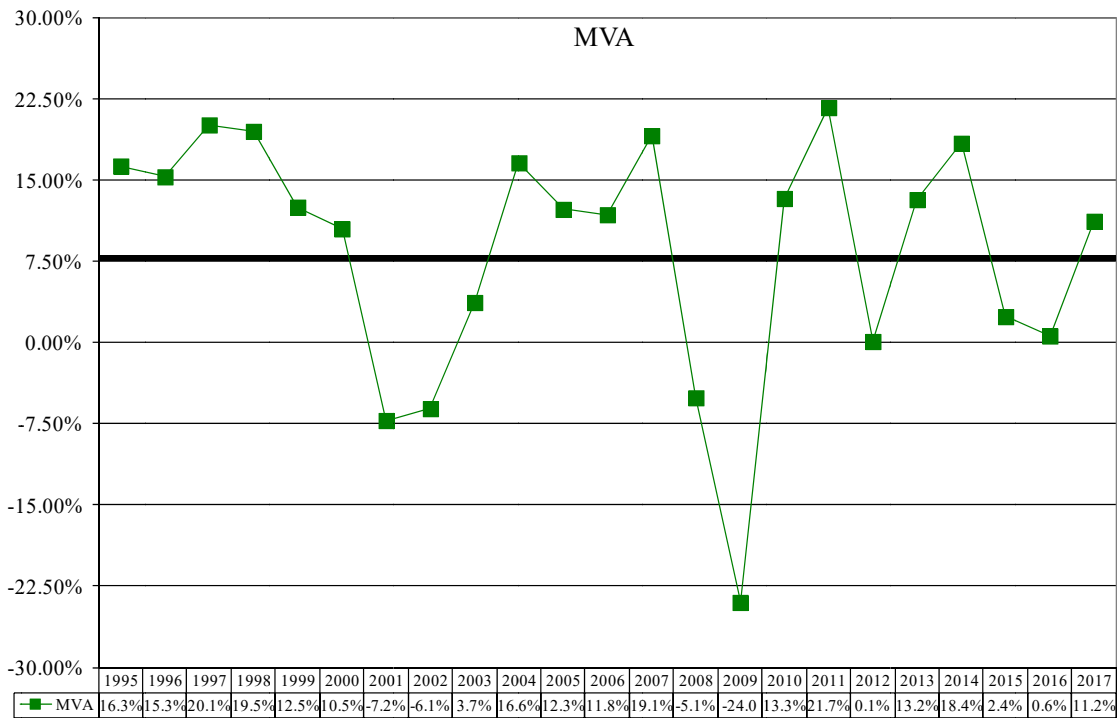
- Investment Losses
- Enhanced Benefits
- CalPERS Contribution Policy
- Demographics



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## HOW WE GOT HERE – INVESTMENT RETURN



Above assumes contributions, payments, etc. received evenly throughout year.



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## HOW WE GOT HERE – ENHANCED BENEFITS

- At CalPERS, Enhanced Benefits implemented using all (future & prior) service
- Typically not negotiated with cost sharing

■ City	Tier 1	Tier 2	PEPRA
● Safety	3%@50 FAE1	2%@50 FAE3	2.7%@57 FAE3
● Miscellaneous	3%@60 FAE1	2%@60 FAE3	2%@62 FAE3

- Note:
  - FAE1 is highest one year (typically final) average earnings
  - FAE3 is highest three years (typically final three) average earnings



## HOW WE GOT HERE – OLD CONTRIBUTION POLICY

- Effective with 2003 valuations:
  - Slow (15 year) recognition of investment losses into funded status
  - Rolling 30 year amortization of all (primarily investment) losses
- Designed to:
  - First smooth rates and
  - Second pay off UAL
- Mitigated contribution volatility



## HOW WE GOT HERE – OLD CONTRIBUTION POLICY

- Around the State
  - Large retiree liability compared to actives
  - Declining active population
  
- City percentage of liability belonging to retirees:
  - Safety 63%
  - Miscellaneous 55%



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## CALPERS CHANGES

- Contribution policy changes:
  - No asset smoothing
  - No rolling amortization
  - 5-year ramp up
  - Included in 6/30/13 valuation (first impact 15/16 rates; full impact 19/20)
- Assumption changes:
  - Anticipate future mortality improvement
  - Other, less significant, changes
  - Included in 6/30/14 valuation (first impact 16/17 rates; full impact 20/21)
- CalPERS Board will change their discount rate:

	<u>Rate</u>	<u>Initial</u>	<u>Full</u>
● 6/30/16 valuation	7.375%	18/19	22/23
● 6/30/17 valuation	7.25%	19/20	23/24
● 6/30/18 valuation	7.00%	20/21	24/25
- Risk mitigation suspended until 6/30/18 valuation CalPERS Board reviewing their Capital Market Assumptions next summer/fall, Likely no further changes to discount rate



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## CALPERS CHANGES

### ■ Risk Mitigation Strategy

- Move to more conservative investments over time
- Only when investment return is better than expected
- Lower discount rate in concert
- Essentially use ≈50% of investment gains to pay for cost increases
- Likely get to 6.0% over 20+ years

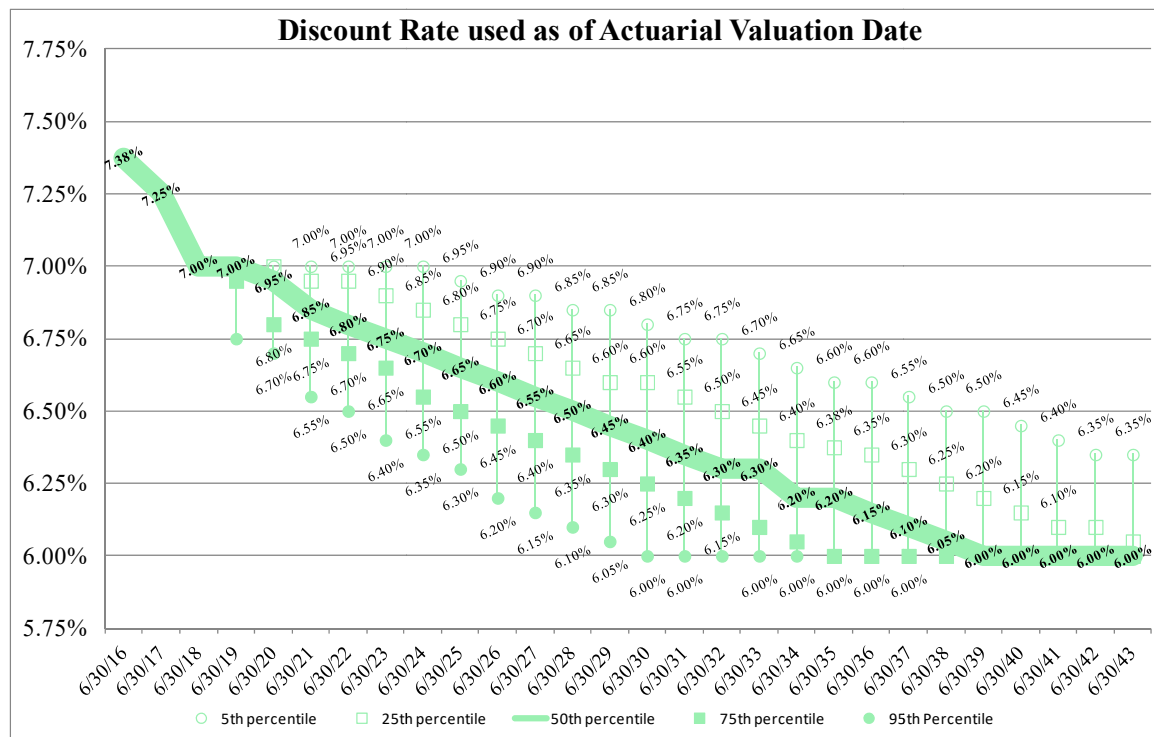


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## CALPERS CHANGES



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## SUMMARY OF DEMOGRAPHIC INFORMATION - SAFETY

	1996	2006	2015	2016
<b>Actives</b>				
■ Counts	234	253	251	244
■ Average				
• Age	39	40	40	40
• City Service	11	12	12	12
• PERSable Wages	\$49,700	\$83,000	\$97,900	\$99,800
■ Total PERSable Wages (millions)	11.6	21.0	24.6	24.3
<b>Receiving Payments</b>				
■ Counts				
• Service		87	160	169
• Disability		79	106	107
• Beneficiaries		<u>11</u>	<u>18</u>	<u>19</u>
• Total	94	177	284	295
■ Average Annual City Provided Benefit <sup>1</sup>				
• Service		\$48,100	\$59,700	\$62,200
• Disability		29,100	43,800	46,300
• Service Retirements in last 5 years		67,800	53,200	58,500

<sup>1</sup> Average City provided pensions are based on City service & City benefit formula, and are not representative of benefits for long service employees.

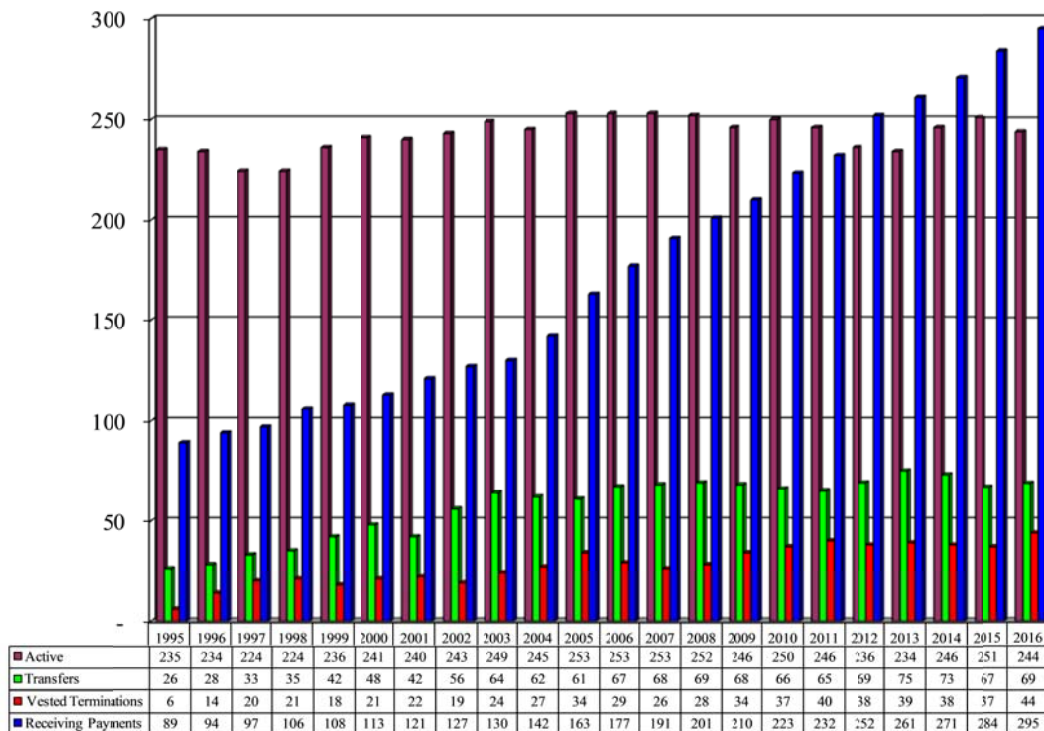


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## MEMBERS INCLUDED IN VALUATION - SAFETY



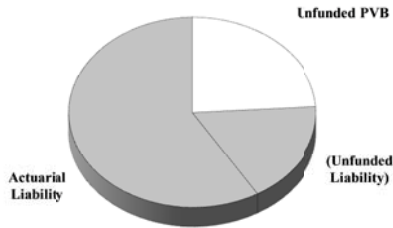
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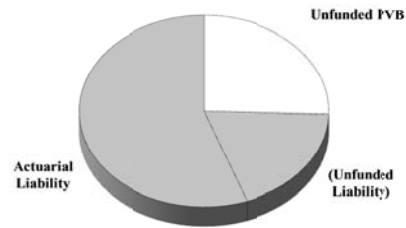


## FUNDED RATIO - SAFETY

Present Value of Benefits  
June 30, 2015



Present Value of Benefits  
June 30, 2016



<u>June 30, 2015</u>		<u>June 30, 2016</u>
\$ 120,000,000	<b>Active AAL</b>	\$ 119,100,000
205,800,000	<b>Retiree AAL</b>	225,900,000
<u>11,600,000</u>	<b>Inactive AAL</b>	<u>13,200,000</u>
337,400,000	<b>Total AAL</b>	358,200,000
<u>248,600,000</u>	<b>Market Asset Value</b>	<u>245,700,000</u>
(88,800,000)	<b>(Unfunded Liability)</b>	(112,500,000)



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## FUNDED RATIO - SAFETY

- What happened between 6/30/15 and 6/30/16?
  - Unfunded Liability (Increase)/Decrease ≈ \$(23.7) million
- Gains (losses)
  - Asset gain/(loss) ≈ \$(17.5) million
  - Assumption Change ≈ \$(5.6) million
  - Actuarial gain/(loss) ≈ \$1.8 million
    - Average Salary \$97,900 → \$99,800
    - Number of Actives 251 → 244
    - Number of Inactives 104 → 113
    - Number of Retirees 284 → 295
  - Other gain/(loss) ≈ \$(2.4) million
    - Contributions
    - Other (expected)

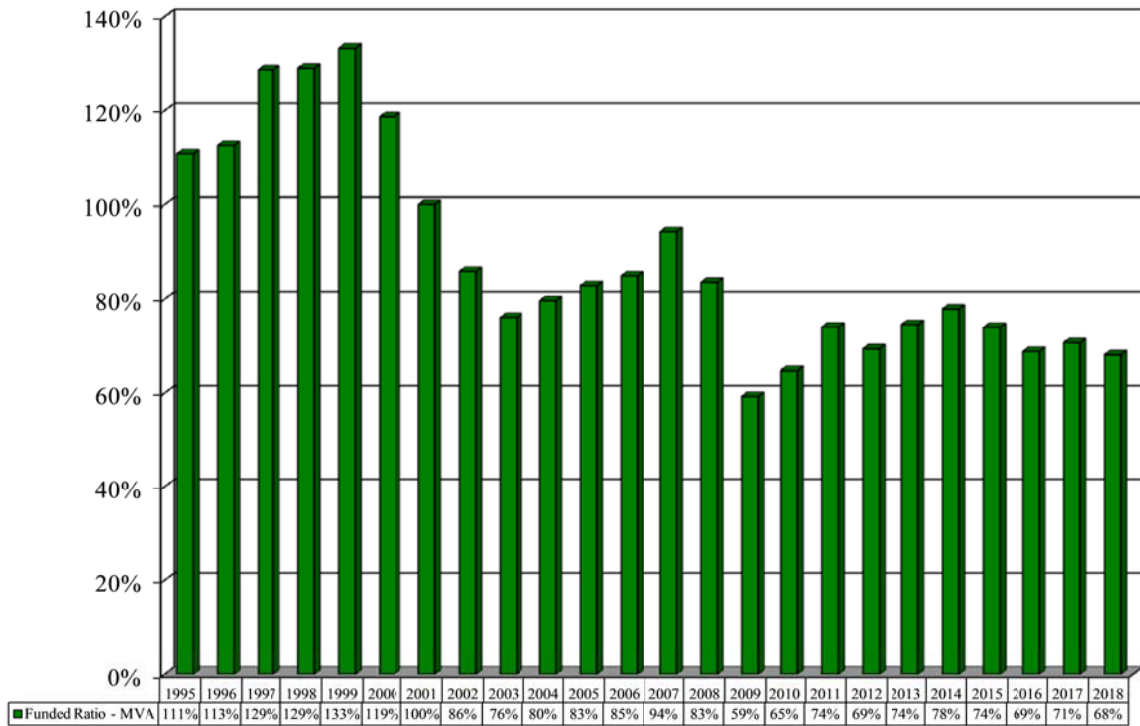


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## FUNDED RATIO - SAFETY



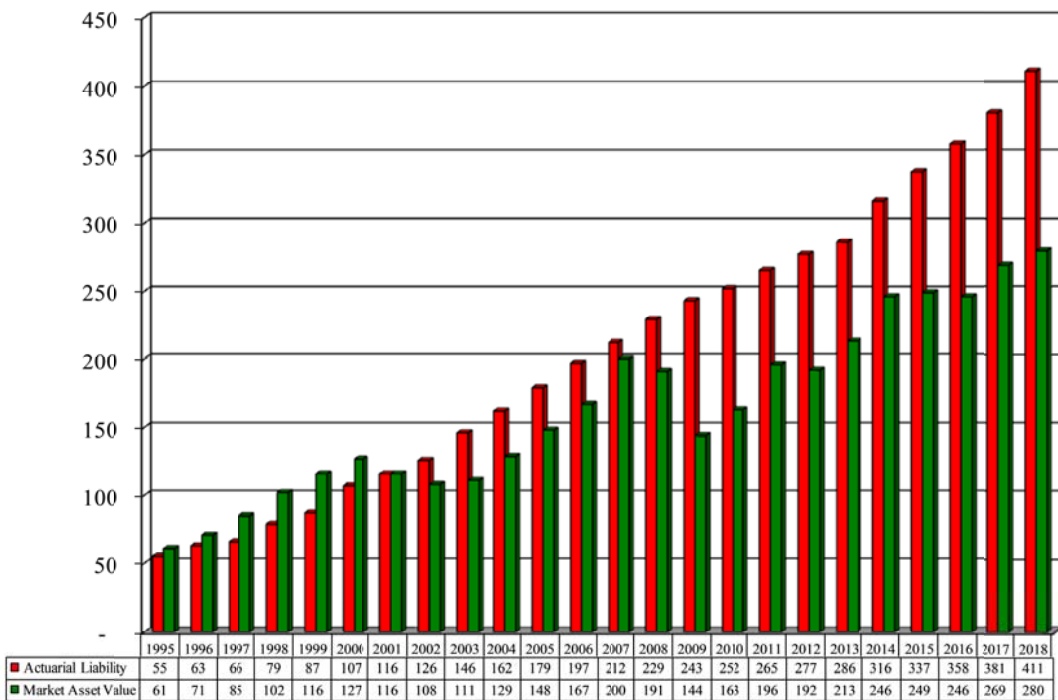
6/30/17 & 6/30/18 funded status estimated.



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## FUNDED STATUS (MILLIONS) - SAFETY



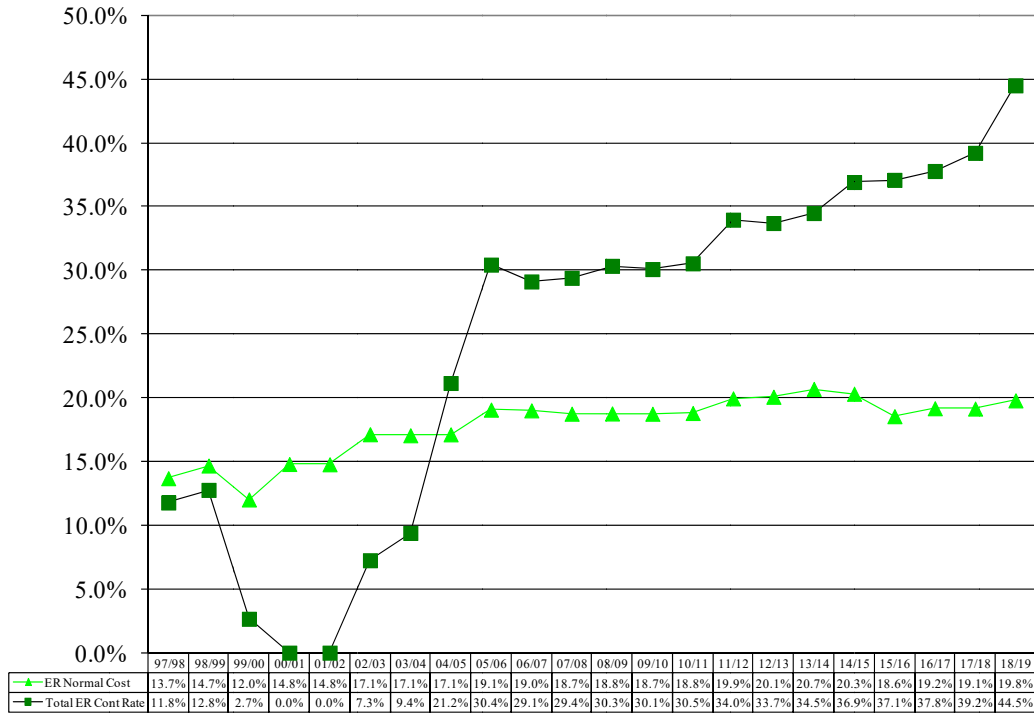
6/30/17 & 6/30/18 funded status estimated.



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## CONTRIBUTION RATES - SAFETY



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## CONTRIBUTION RATES - SAFETY

	<b>6/30/15</b>	<b>6/30/16</b>
	<b><u>2017/2018</u></b>	<b><u>2018/2019</u></b>
■ Total Normal Cost	28.4%	29.2%
■ Employee Normal Cost	9.3%	9.4%
■ Employer Normal Cost	19.1%	19.8%
■ Amortization Bases	<u>20.1%</u>	<u>24.7%</u>
■ Total Employer Contribution Rate	39.2%	44.5%
■ Amortization Period	Multiple	Multiple
■ What Happened from 6/30/15 to 6/30/16:		
● 2017/18 Rate		39.2%
● Payroll < Expected		0.8%
● Asset Method Change (4 <sup>th</sup> Year)		1.5%
● 6/30/14 Assumption Change (3 <sup>rd</sup> Year)		1.2%
● 6/30/14 (Gains)/Losses (3 <sup>rd</sup> Year)		(1.3%)
● 6/30/15 (Gains)/Losses (2 <sup>nd</sup> Year)		1.1%
● 6/30/16 Discount Rate change (1 <sup>st</sup> Year)		0.5%
● 6/30/16 (Gains)/Losses (1 <sup>st</sup> Year)		<u>1.5%</u>
● 2018/19 Rate		44.5%



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## CONTRIBUTION PROJECTIONS - SAFETY

- Market Value Investment Return:
  - June 30, 2016 0.6%<sup>2</sup>
  - June 30, 2017 11.2%<sup>3</sup>
  - Future returns based on stochastic analysis using 1,000 trials

<u>Single Year Returns at<sup>4</sup></u>	<u>25<sup>th</sup> Percentile</u>	<u>50<sup>th</sup> Percentile</u>	<u>75<sup>th</sup> Percentile</u>
● 7.0% Investment Mix	<b>0.1%</b>	<b>7.0%</b>	<b>14.8%</b>
● 6.0% Investment Mix	<b>0.8%</b>	<b>6.0%</b>	<b>11.4%</b>

  - Assumes investment returns will, generally be 6.5% (as compared to 7.0%) over the next 10 years and higher beyond that.
- No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements
- Tier 2 2%@50 FAE3 effective 5/27/12
- Excludes Employer Paid Member Contributions (EPMC)

<sup>2</sup> Based on CalPERS 6/30/16 CAFR.

<sup>3</sup> Based on CalPERS press release on 7/14/17, preliminary investment return of 11.2%.

<sup>4</sup> N<sup>th</sup> percentile means N percentage of our trials result in returns lower than the indicated rates.



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## CONTRIBUTION PROJECTIONS - SAFETY

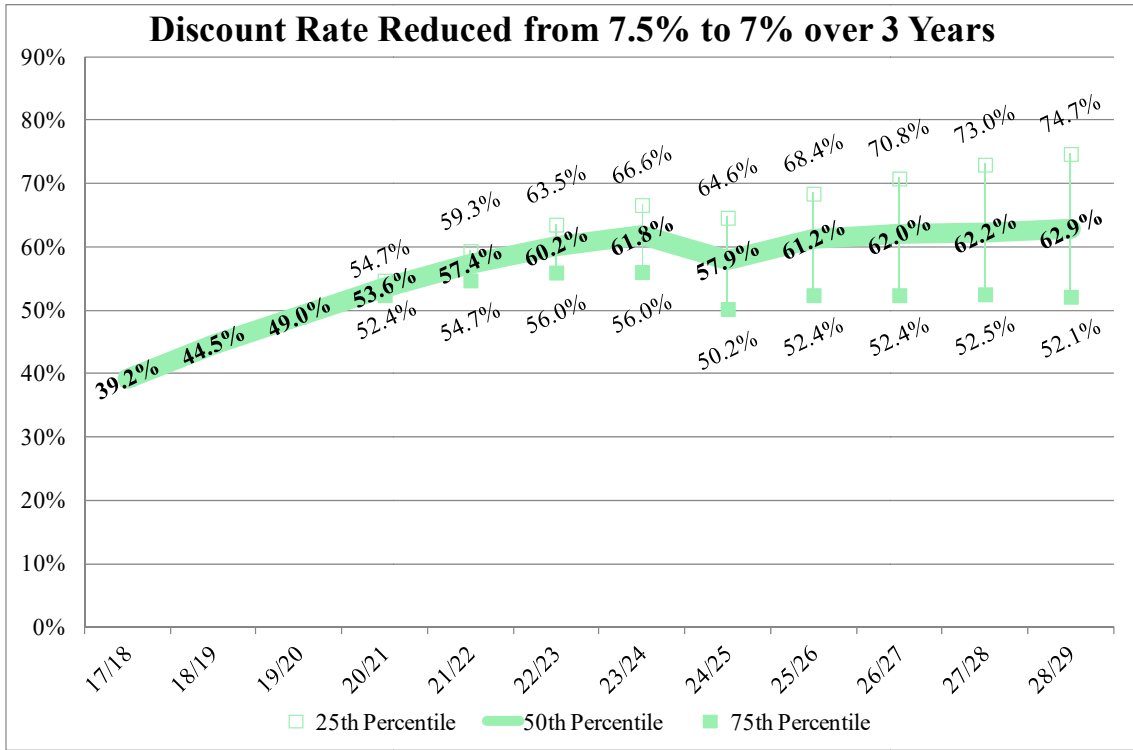
- New hire assumptions:
  - Assumes 50% of 2013 new hires will be Classic Tier 2 Members (2%@50) and 50% will be New Members with PEPRA benefits
  - Assumes Classic Members will decrease from 50% to 0% of new hires over 10 years



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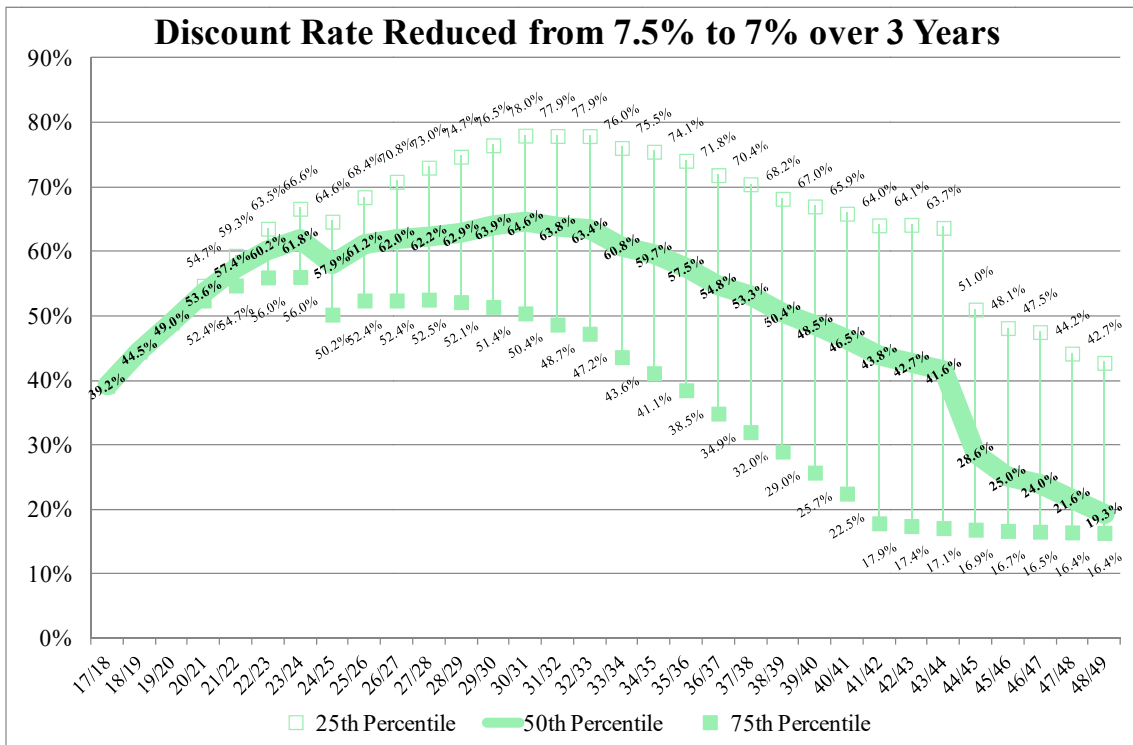
## CONTRIBUTION PROJECTIONS - SAFETY



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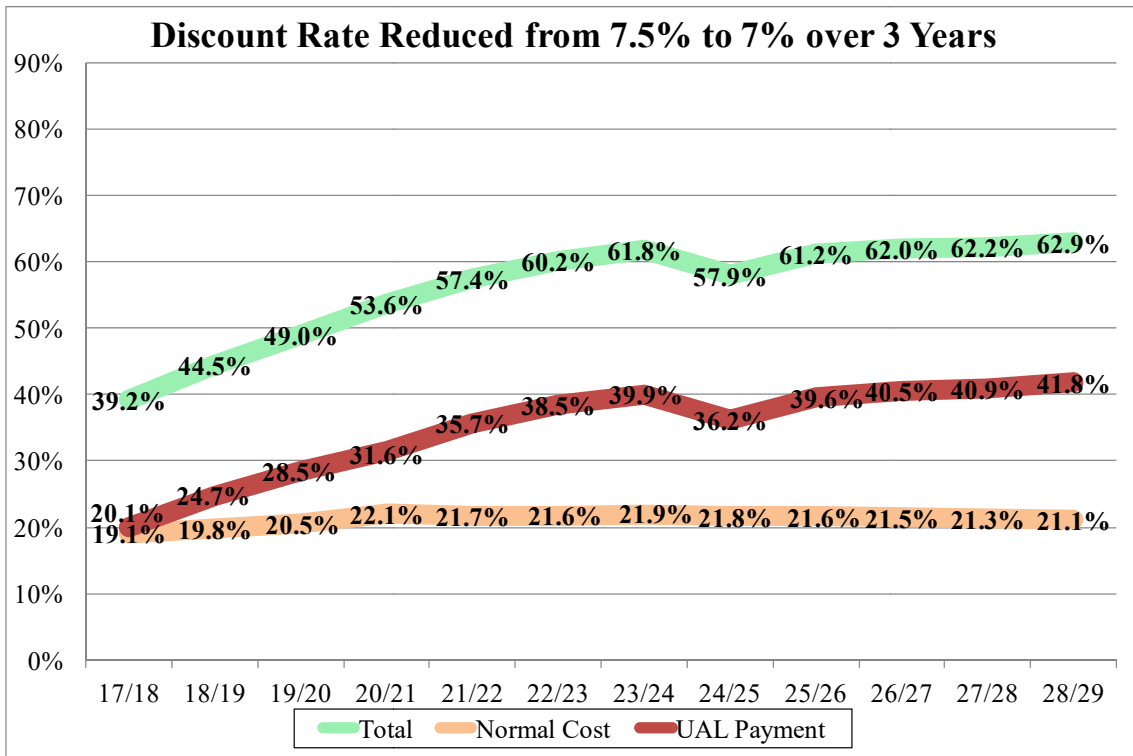
## CONTRIBUTION PROJECTIONS - SAFETY



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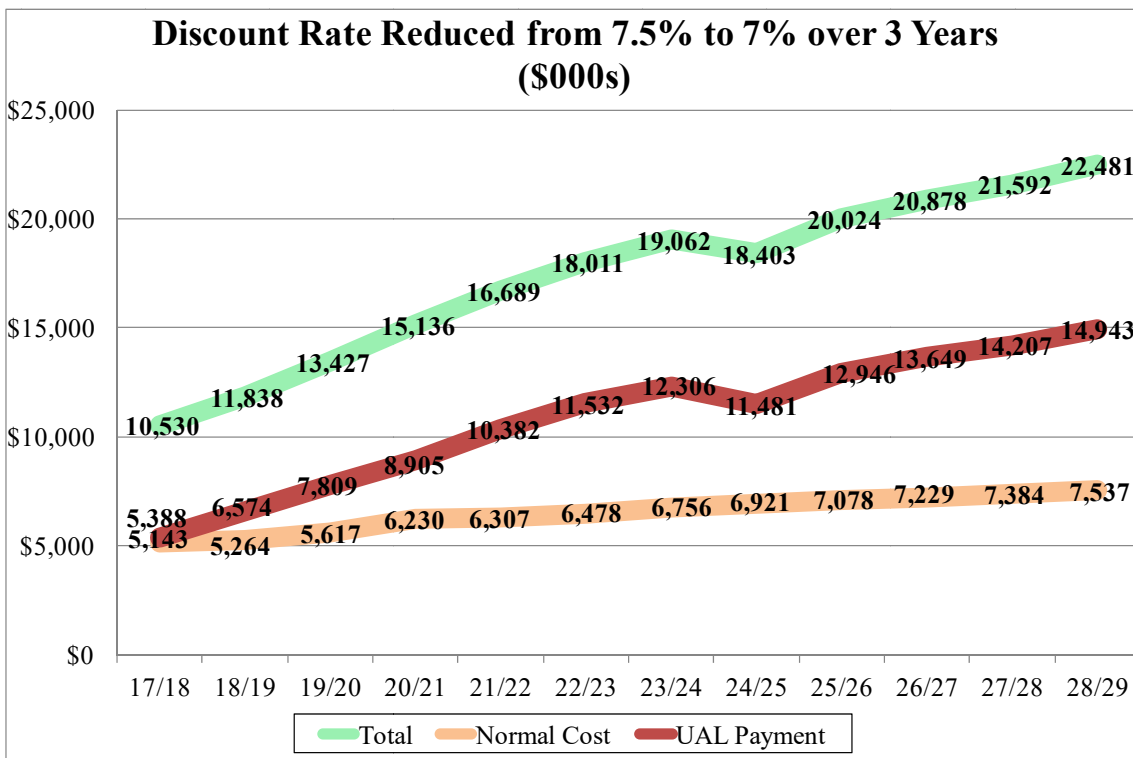
### CONTRIBUTION PROJECTIONS - SAFETY



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### CONTRIBUTION PROJECTIONS - SAFETY

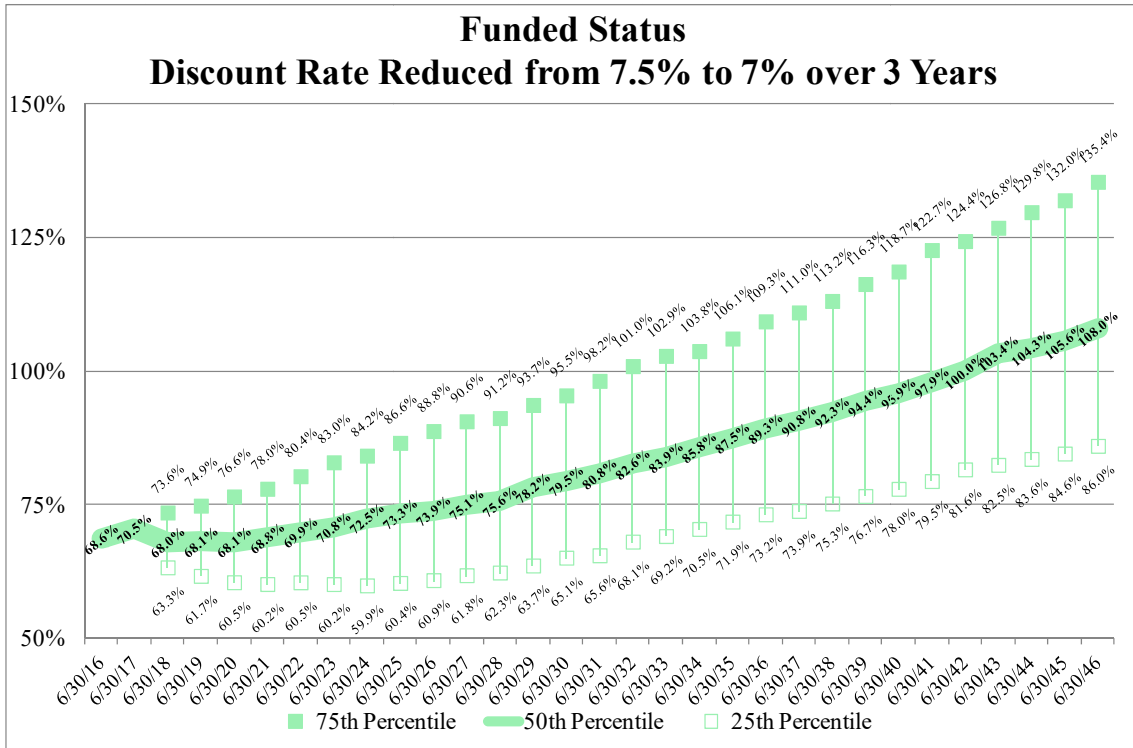


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**FUNDED STATUS – SAFETY**



**FUNDED STATUS – SAFETY**

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## SUMMARY OF DEMOGRAPHIC INFORMATION - MISCELLANEOUS

	1996	2006	2015	2016
<b>Actives</b>				
■ Counts	521	652	579	588
■ Average				
• Age	43	45	46	46
• City Service	9	11	12	11
• PERSable Wages	\$36,500	\$52,700	\$58,400	\$61,400
■ Total PERSable Wages (millions)	19.0	34.3	33.8	36.1
<b>Receiving Payments</b>				
■ Counts				
• Service		376	527	542
• Disability		26	23	23
• Beneficiaries		<u>62</u>	<u>56</u>	<u>57</u>
• Total	259	464	606	622
■ Average Annual City Provided Benefit <sup>5</sup>				
• Service		\$11,200	\$28,400	\$28,700
• Disability		5,100	5,500	5,600
• Service Retirements in last 5 years		16,700	31,200	32,100

<sup>5</sup> Average City provided pensions are based on City service & City benefit formula, and are not representative of benefits for long service employees.

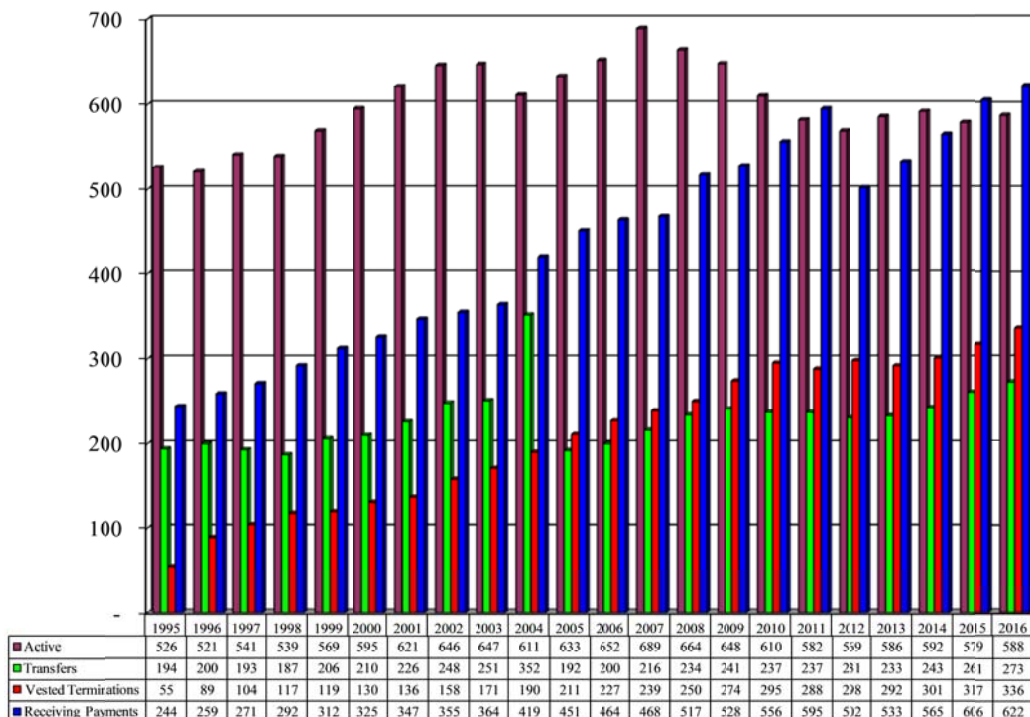


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## MEMBERS INCLUDED IN VALUATION - MISCELLANEOUS



Starting 2012, inactives were no longer counted separately for different coverage groups (e.g. before and after Social Security coverage)

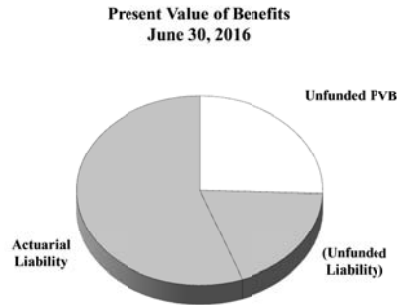
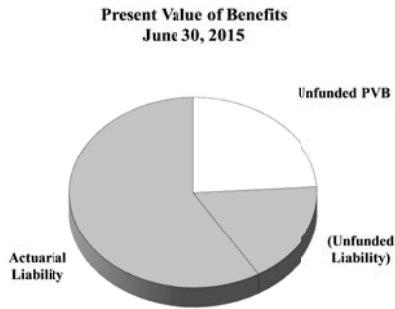


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## FUNDED RATIO - MISCELLANEOUS



<u>June 30, 2015</u>		<u>June 30, 2016</u>
\$ 136,100,000	<b>Active AAL</b>	\$ 146,100,000
203,600,000	<b>Retiree AAL</b>	212,900,000
<u>24,500,000</u>	<b>Inactive AAL</b>	<u>26,200,000</u>
364,200,000	<b>Total AAL</b>	385,200,000
<u>256,100,000</u>	<b>Market Asset Value</b>	<u>253,300,000</u>
(108,100,000)	<b>(Unfunded Liability)</b>	(131,900,000)



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## FUNDED RATIO - MISCELLANEOUS

- What happened between 6/30/15 and 6/30/16?
  - Unfunded Liability (Increase)/Decrease ≈ \$(23.8) million
- Gains (losses)
  - Asset gain/(loss) ≈ \$(18.1) million
  - Assumption Change ≈ \$(5.5) million
  - Actuarial gain/(loss) ≈ \$1.0 million
    - Average Salary \$58,400 → \$61,400
    - Number of Actives 579 → 588
    - Number of Inactives 578 → 609
    - Number of Retirees 606 → 622
  - Other gain/(loss) ≈ \$(1.2) million
    - Contributions
    - Other (expected)

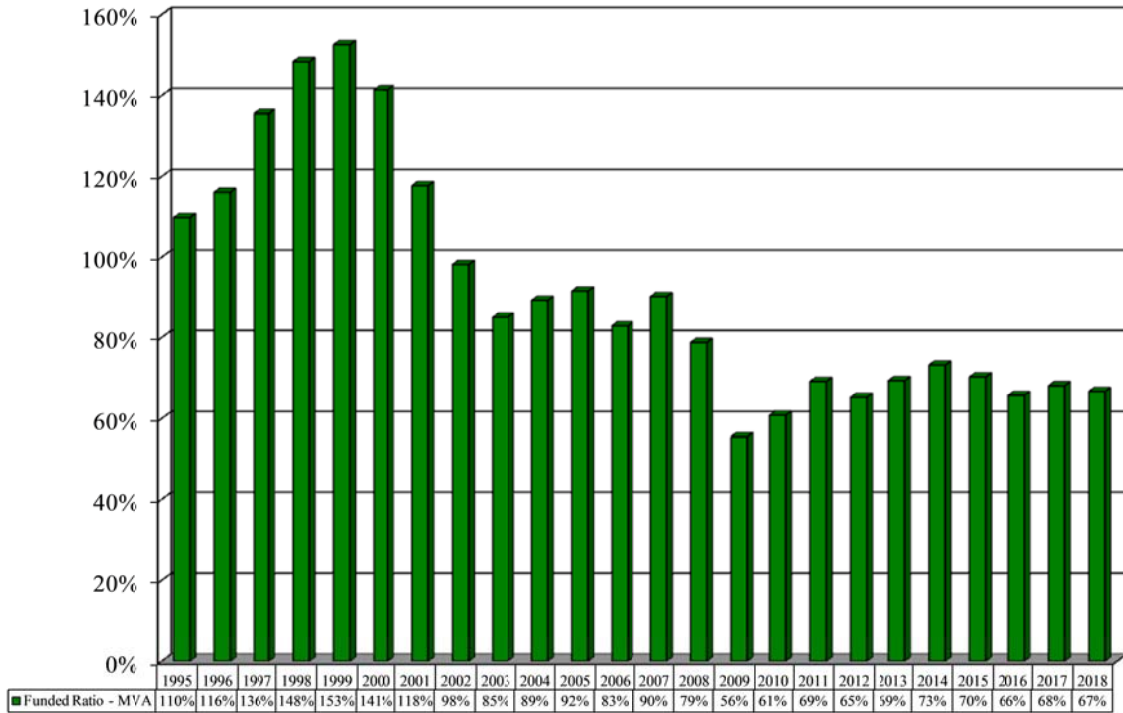


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## FUNDED RATIO - MISCELLANEOUS



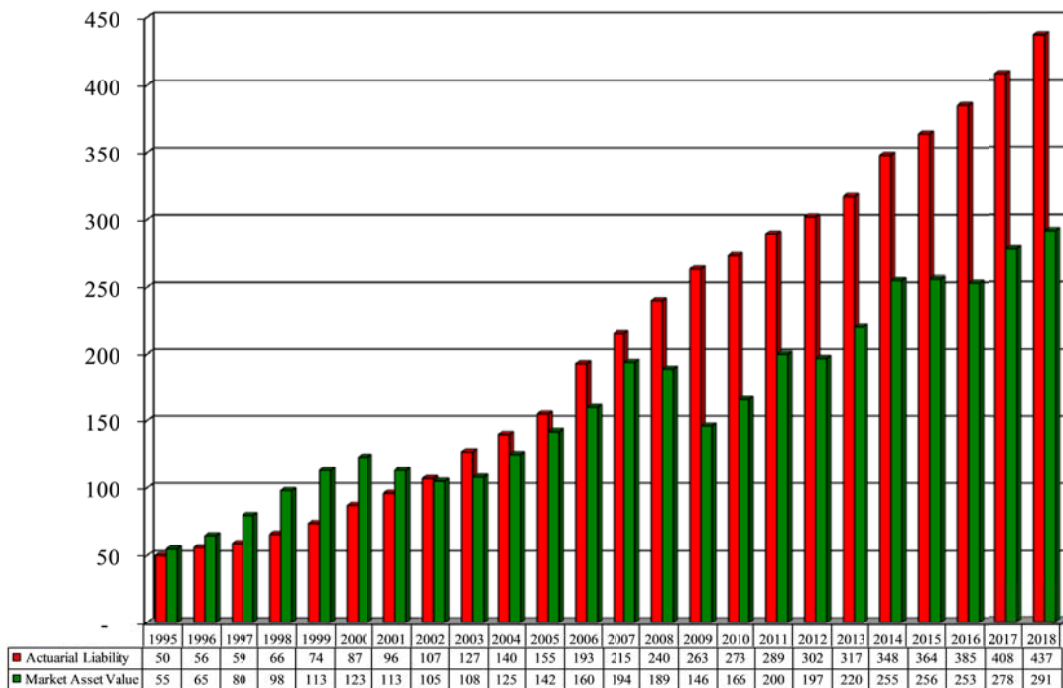
6/30/17 & 6/30/18 funded status estimated.



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## FUNDED STATUS (MILLIONS) - MISCELLANEOUS



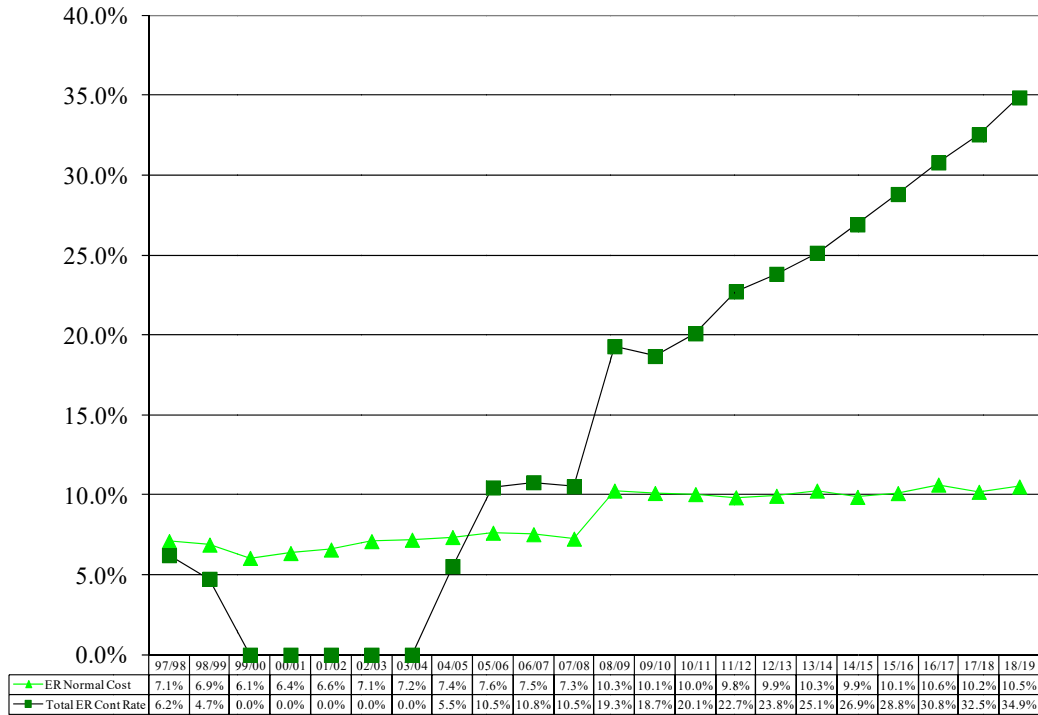
6/30/17 & 6/30/18 funded status estimated.



September 27, 2017



## CONTRIBUTION RATES - MISCELLANEOUS



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## CONTRIBUTION RATES - MISCELLANEOUS

	<b><u>6/30/15</u></b> <b><u>2017/2018</u></b>	<b><u>6/30/16</u></b> <b><u>2018/2019</u></b>
■ Total Normal Cost	17.9%	18.2%
■ Employee Normal Cost	7.7%	7.6%
■ Employer Normal Cost	10.2%	10.5%
■ Amortization Bases	<u>22.4%</u>	<u>24.3%</u>
■ Total Employer Contribution Rate	32.5%	34.9%
■ Amortization Period	Multiple	Multiple
■ What Happened from 6/30/15 to 6/30/16:		
● 2017/18 Rate		32.5%
● Asset Method Change (4 <sup>th</sup> Year)		1.4%
● 6/30/14 Assumption Change (3 <sup>rd</sup> Year)		1.2%
● 6/30/14 (Gains)/Losses (3 <sup>rd</sup> Year)		(1.1%)
● 6/30/15 (Gains)/Losses (2 <sup>nd</sup> Year)		0.6%
● 6/30/16 Discount Rate change (1 <sup>st</sup> Year)		0.3%
● Payroll Increased More Than Expected		(0.8%)
● 6/30/16 (Gains)/Losses (1 <sup>st</sup> Year)		<u>0.8%</u>
● 2018/19 Rate		34.9%



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## CONTRIBUTION PROJECTIONS - MISCELLANEOUS

- Market Value Investment Return:
  - June 30, 2016 0.6%<sup>6</sup>
  - June 30, 2017 11.2%<sup>7</sup>
  - Future returns based on stochastic analysis using 1,000 trials

<u>Single Year Returns at<sup>8</sup></u>	<u>25<sup>th</sup> Percentile</u>	<u>50<sup>th</sup> Percentile</u>	<u>75<sup>th</sup> Percentile</u>
● 7.0% Investment Mix	<b>0.1%</b>	<b>7.0%</b>	<b>14.8%</b>
● 6.0% Investment Mix	<b>0.8%</b>	<b>6.0%</b>	<b>11.4%</b>

  - Assumes investment returns will, generally be 6.5% (as compared to 7.0%) over the next 10 years and higher beyond that.
- No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements
- Tier 2 2%@60 FAE3 effective 12/23/12
- Excludes Employer Paid Member Contributions (EPMC)

<sup>6</sup> Based on CalPERS 6/30/16 CAFR.

<sup>7</sup> Based on CalPERS press release on 7/14/17, preliminary investment return of 11.2%.

<sup>8</sup> N<sup>th</sup> percentile means N percentage of our trials result in returns lower than the indicated rates.



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## CONTRIBUTION PROJECTIONS - MISCELLANEOUS

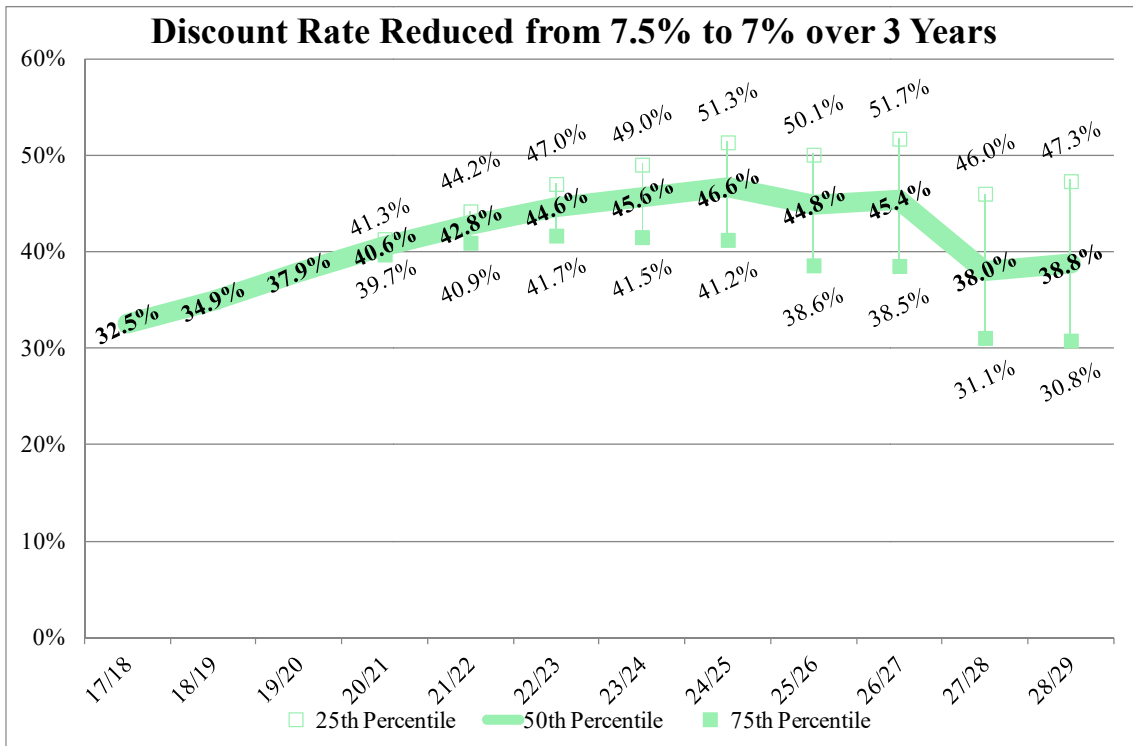
- New hire assumptions:
  - Assumes 50% of 2013 new hires will be Classic Tier 2 Members (2.0%@60) and 50% will be New Members with PEPRAs benefits
  - Assumes Classic Members will decrease from 50% to 0% of new hires over 20 years



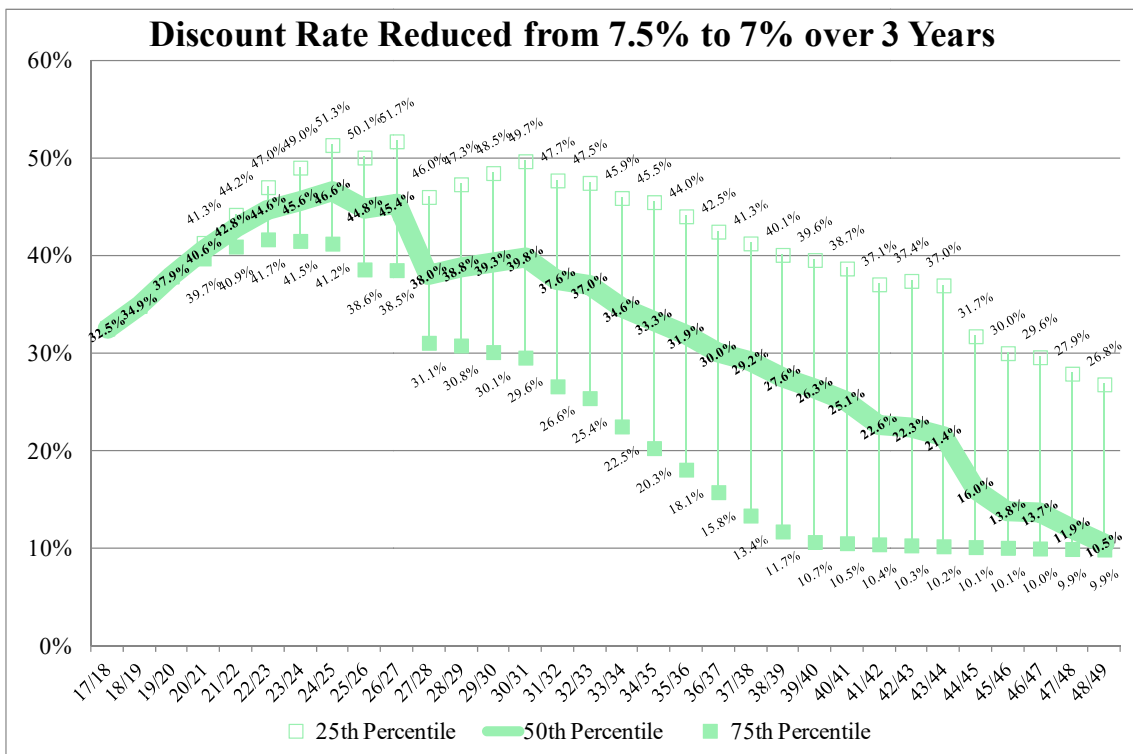
September 27, 2017



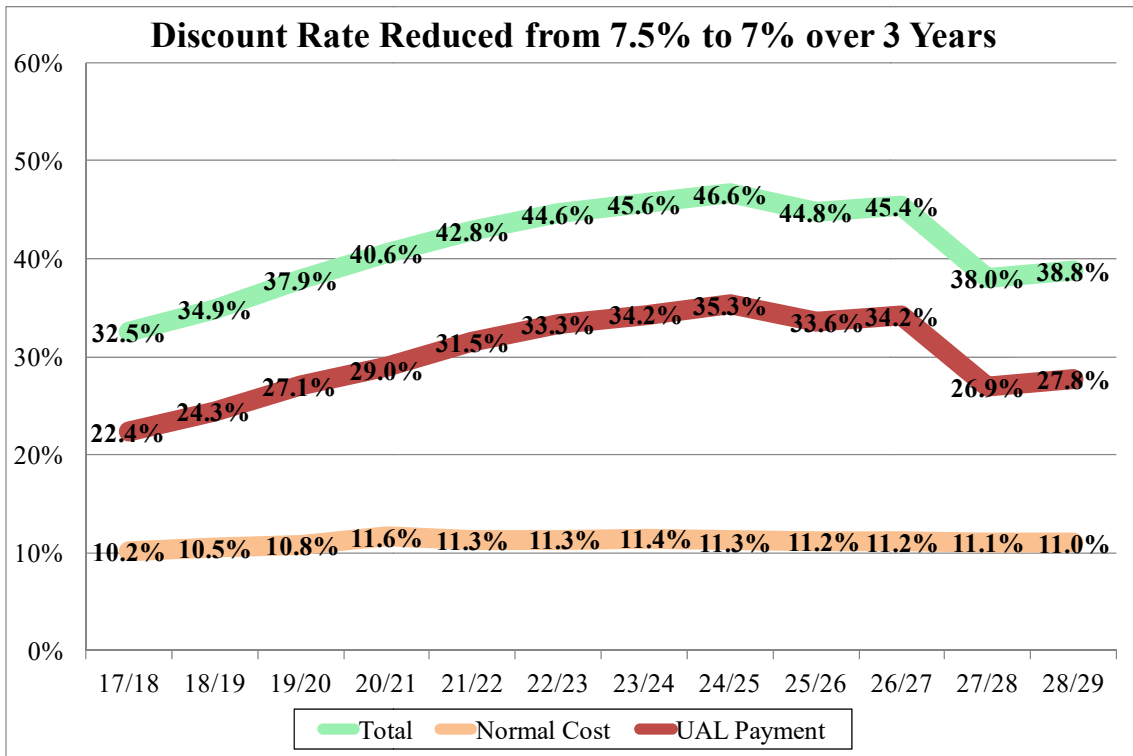
## CONTRIBUTION PROJECTIONS - MISCELLANEOUS



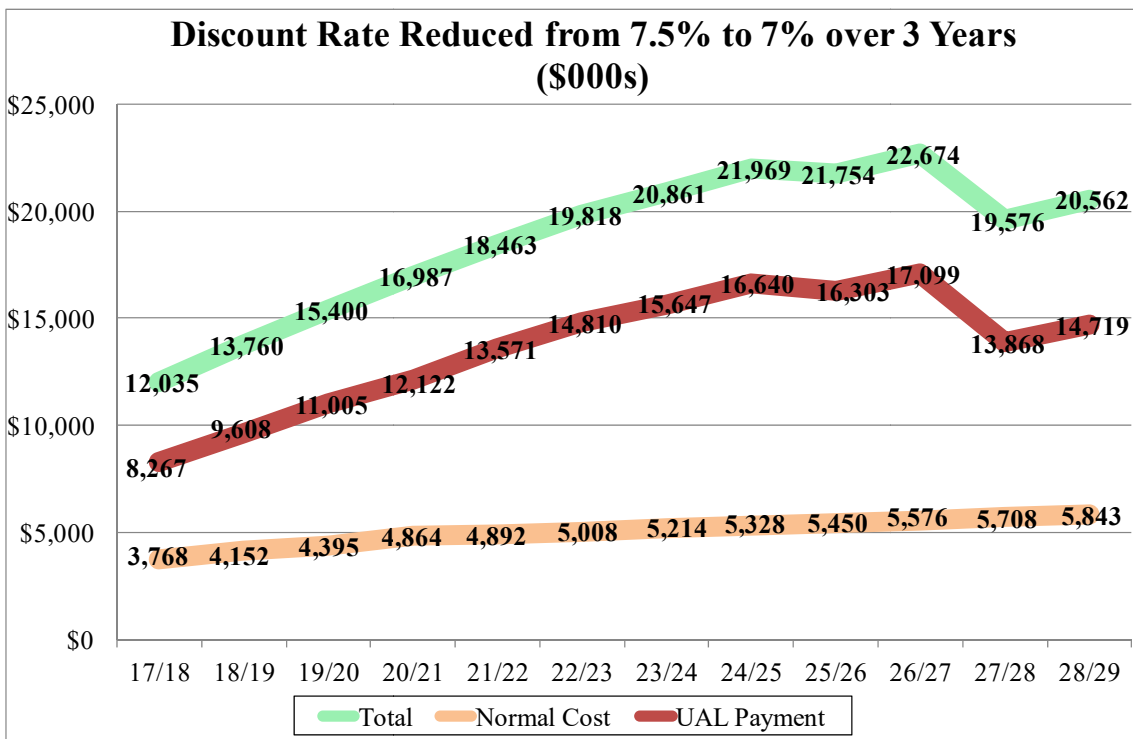
## CONTRIBUTION PROJECTIONS - MISCELLANEOUS



**CONTRIBUTION PROJECTIONS - MISCELLANEOUS**

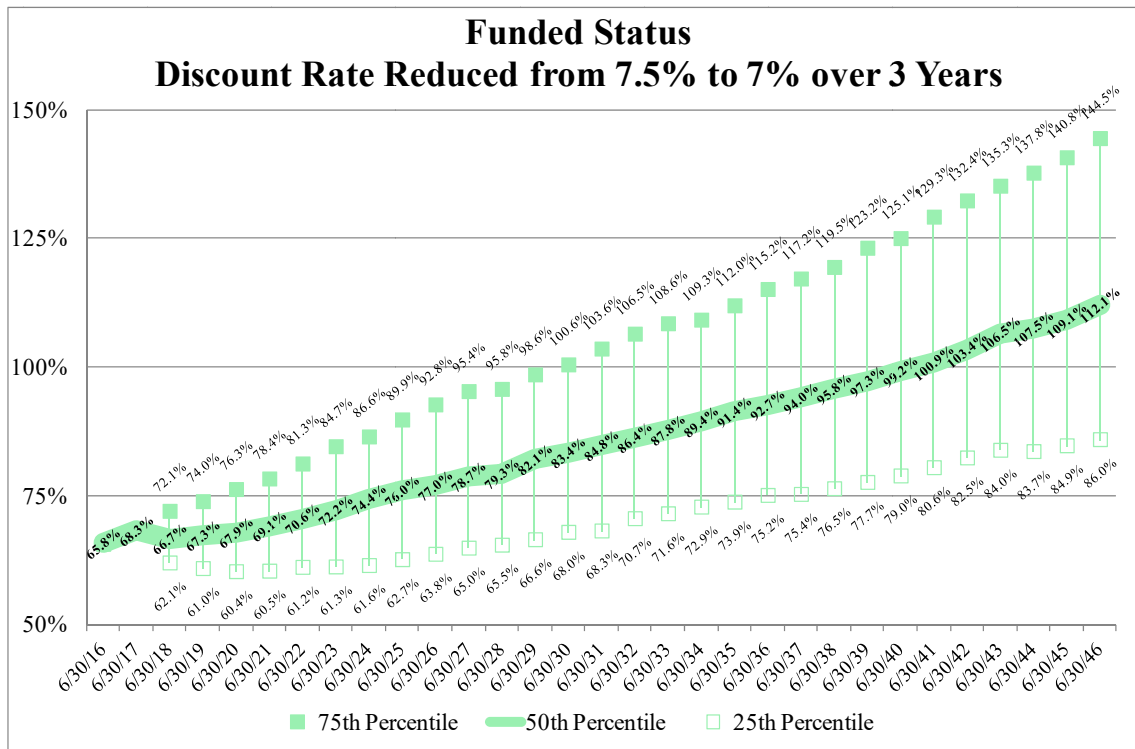


**CONTRIBUTION PROJECTIONS - MISCELLANEOUS**





FUNDED STATUS - MISCELLANEOUS



FUNDED STATUS - MISCELLANEOUS

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## PAYING DOWN THE UNFUNDED LIABILITY & RATE STABILIZATION

- Where do you get the money from?
- How do you use the money?



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## WHERE DO YOU GET THE MONEY FROM?

- POB:
  - Usually thought of as interest arbitrage between expected earnings and rate paid on POB
  - No guaranteed savings
    - Including paying off CalPERS Side Fund
  - PEPRA prevents contributions from dropping below normal cost
    - Savings offset when investment return is good
  - GFOA White Paper
- Borrow from General Fund
  - Excess Reserves?
  - Pay GF back like a loan
  - Payments should come from all funds



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## WHERE DO YOU GET THE MONEY FROM?

- One time payments
  - Council resolution to use a portion of one time money, e.g.
    - 1/3 to one time projects
    - 1/3 to replenish reserves and
    - 1/3 to pay down unfunded liability



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## CITY IDENTIFIED ADDITIONAL REVENUE

### Projected Additional Unfunded Liability Payments (In \$Millions)

Fiscal Year	17/18	18/19	19/20	20/21	21/22
■ UAL Payment Increases from 17/18					
● Safety	\$ -	\$ 1.2	\$ 2.4	\$ 3.5	\$ 5.0
● Miscellaneous	-	<u>1.3</u>	<u>2.7</u>	<u>3.9</u>	<u>5.3</u>
● Total	-	2.5	5.1	7.4	10.3
■ Add'l Revenue Identified <sup>9</sup>	<u>2.0</u>	<u>3.5</u>	<u>1.8</u>	<u>5.6</u>	<u>3.2</u>
■ Net Budget Need	(2.0)	(1.0)	3.3	1.8	7.1

Fiscal Year	22/23	23/24	24/25	25/26	26/27
■ UAL Payment Increases from 17/18					
● Safety	\$ 6.2	\$ 6.9	\$ 6.1	\$ 7.6	\$ 8.3
● Miscellaneous	<u>6.5</u>	<u>7.4</u>	<u>8.4</u>	<u>8.0</u>	<u>8.8</u>
● Total	12.7	14.3	14.5	15.6	17.1
■ Add'l Revenue Identified <sup>11</sup>	<u>1.0</u>	<u>2.6</u>	<u>2.6</u>	<u>2.6</u>	<u>2.6</u>
■ Net Budget Need	11.7	11.7	11.9	13.0	14.5

<sup>9</sup> Per City (8/4/17 email).



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## MAKE PAYMENTS DIRECTLY TO CALPERS

- Make payments directly to CalPERS:
  - Treat as contribution gain:
    - CalPERS default
    - Very modest short term contribution impact
  - Apply to all bases in proportion:
    - Lowers payment
    - Does not shorten amortization period
  - Request shorter amortization period (Fresh Start):
    - Higher short term payments
    - Less interest and lower long term payments
    - PEPRAs prevents contributions from dropping below normal cost
      - Savings offset when investment return is good



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## MAKE PAYMENTS DIRECTLY TO CALPERS

- Make payments directly to CalPERS (continued):
  - Target specific amortization bases:
    - Paying off shorter amortization bases, larger contribution savings over shorter period:
      - e.g. 10 year base gets 12.5¢ for \$1
      - Less interest savings compared to paying off longer amortization bases
    - Paying off longer amortization bases, smaller contribution savings over longer period:
      - e.g. 25 year base gets 6.6¢ for \$1
      - More interest savings compared to paying off shorter amortization bases



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**MAKE PAYMENTS DIRECTLY TO CALPERS**

- Projections assume City sends identified additional revenue from slide 46 directly to CalPERS each year to pay down unfunded liability for certain bases
  - Because biggest impact desired in the short term, shorter, rather than longer, bases are targeted.
  - Revenue allocation
    - Safety: 46%
    - Miscellaneous: 54%
    - Based on 6/30/16 UAL

	<u>Years Remaining</u>	<u>6/30/18 Balance</u>
■ Safety Amortization Bases:		
● Pays off 2003 Benefit Change base	6	\$ 7.7 Million
● Pays off 2003 Arnett Case base	7	0.1
● Pays off 2009 Assumption Change base	13	4.1
● Pays down 2011 Assumption Change base	15	5.7
■ Miscellaneous Amortization Bases:		
● Pays off 2003 Assumption Change base	7	6.4
● Pays off 2006 Benefit Change base	9	21.7
● Pays down 2009 Assumption Change base	13	10.8



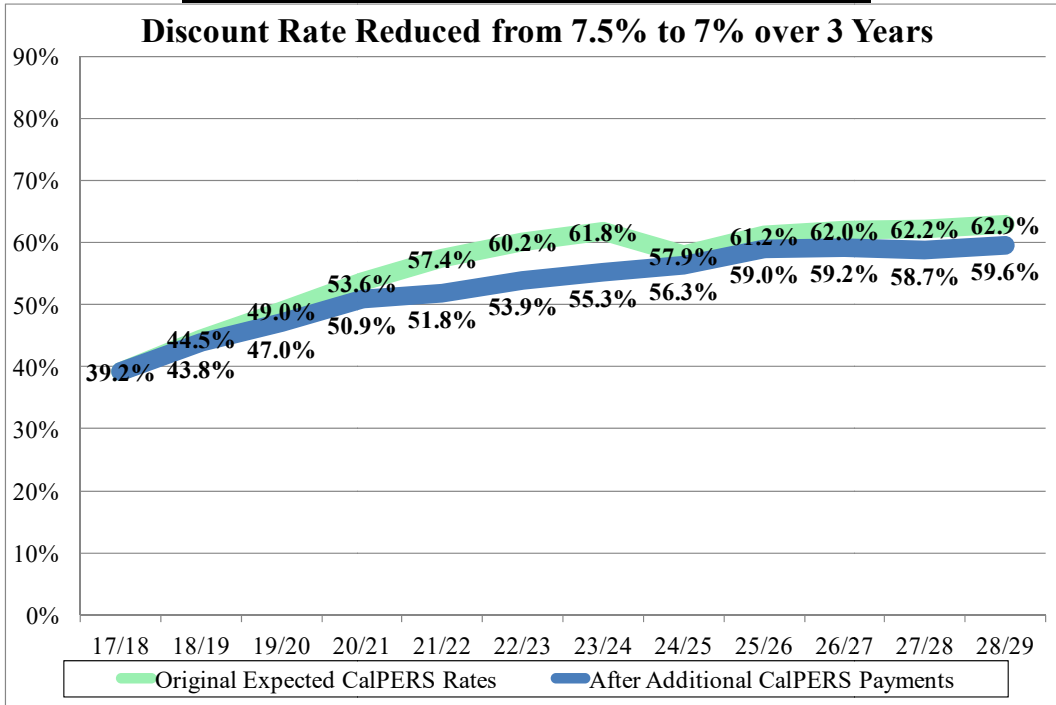
**MAKE PAYMENTS DIRECTLY TO CALPERS**

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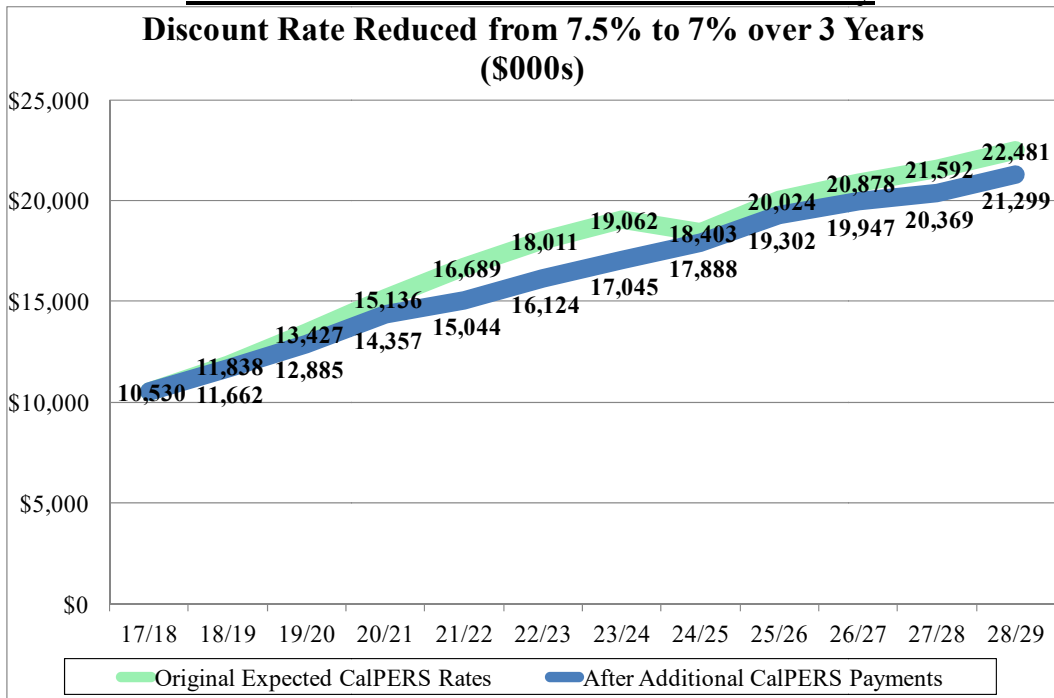
**MAKE PAYMENTS DIRECTLY TO CALPERS**

**Additional CalPERS Contributions - Safety**



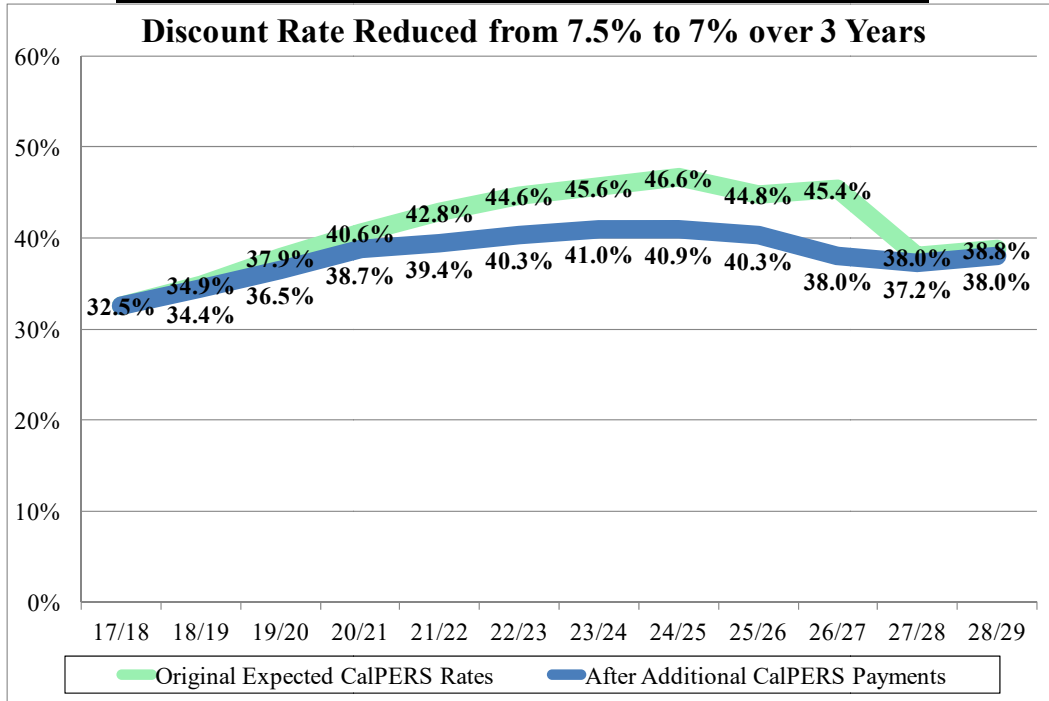
**MAKE PAYMENTS DIRECTLY TO CALPERS**

**Additional CalPERS Contributions - Safety**



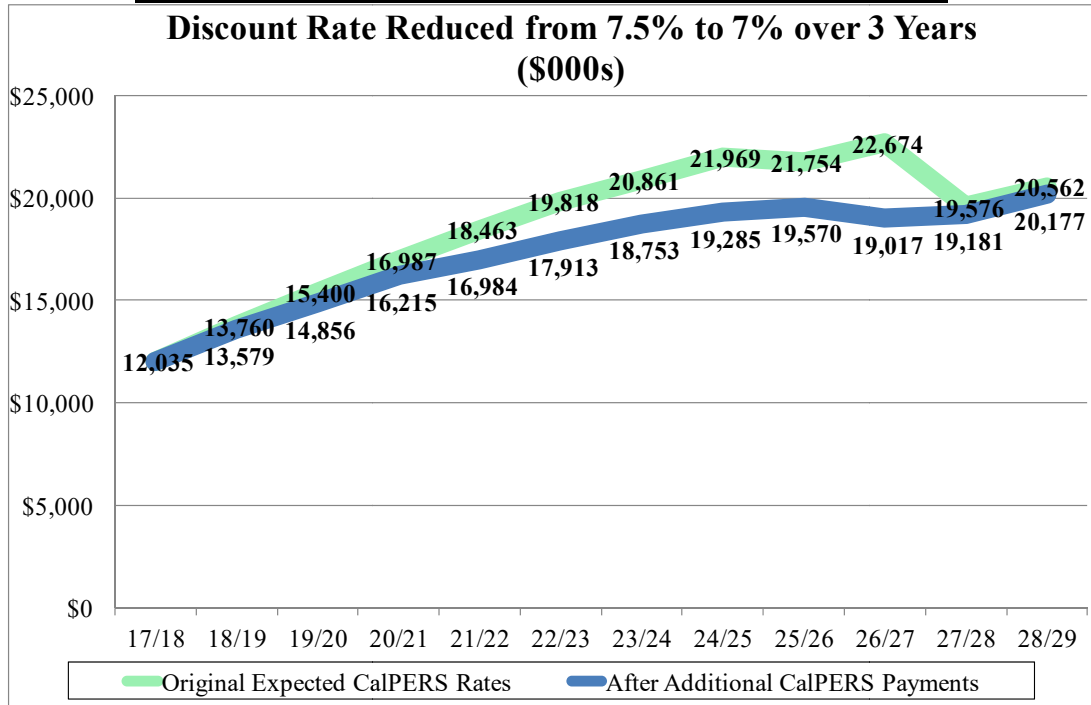
**MAKE PAYMENTS DIRECTLY TO CALPERS**

**Additional CalPERS Contributions - Miscellaneous**



**MAKE PAYMENTS DIRECTLY TO CALPERS**

**Additional CalPERS Contributions - Miscellaneous**



## HOW DO YOU USE THE MONEY?

- Internal Service Fund
  - Typically used for rate stabilization
  - Restricted investments:
    - Likely low (0.5%-1.0%) investment returns
    - Short term/high quality, designed for preservation of principal
  - Assets can be used by Council for other purposes
  - Does not reduce Unfunded Liability



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## IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

- > 100 trusts established
  - PARS, PFM & Keenan
- Investments significantly less restricted than City investment funds:
  - Likely higher (4% - 6%) but more volatile investment returns
- Trust Assets:
  - Can't be used by Council for other purposes
  - Can only be used to:
    - Reimburse City for CalPERS contributions
    - Make payments directly to CalPERS
  - Will not reduce Net Pension Liability:
    - City total net financial position will be the same



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## IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

- Consider:
  - How much can you put into Trust?
    - Initial seed money?
    - Additional amounts in future years?
  - When do you take money out?
    - Target budget rate?
    - Year target budget rate kicks in?
      - Before or after CalPERS rate exceeds budgeted rate?



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## IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

- Pension Supplemental Trust Illustration
  - Additional revenue identified from slide 48
  - Revenue allocation
    - Safety: 46%
    - Miscellaneous: 54%
    - Based on 6/30/16 UAL
  - Two alternatives
    - Use additional revenue to reduce amount City must pay each year and
    - Set aside additional revenue each year into supplemental trust and use to smooth out contribution peaks

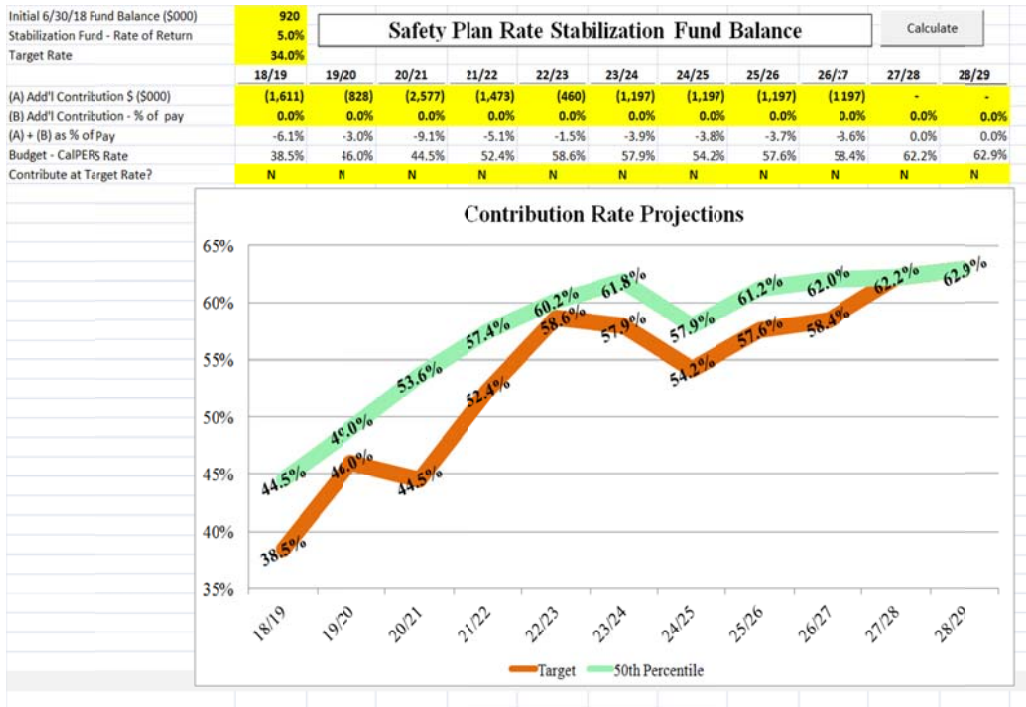


September 27, 2017

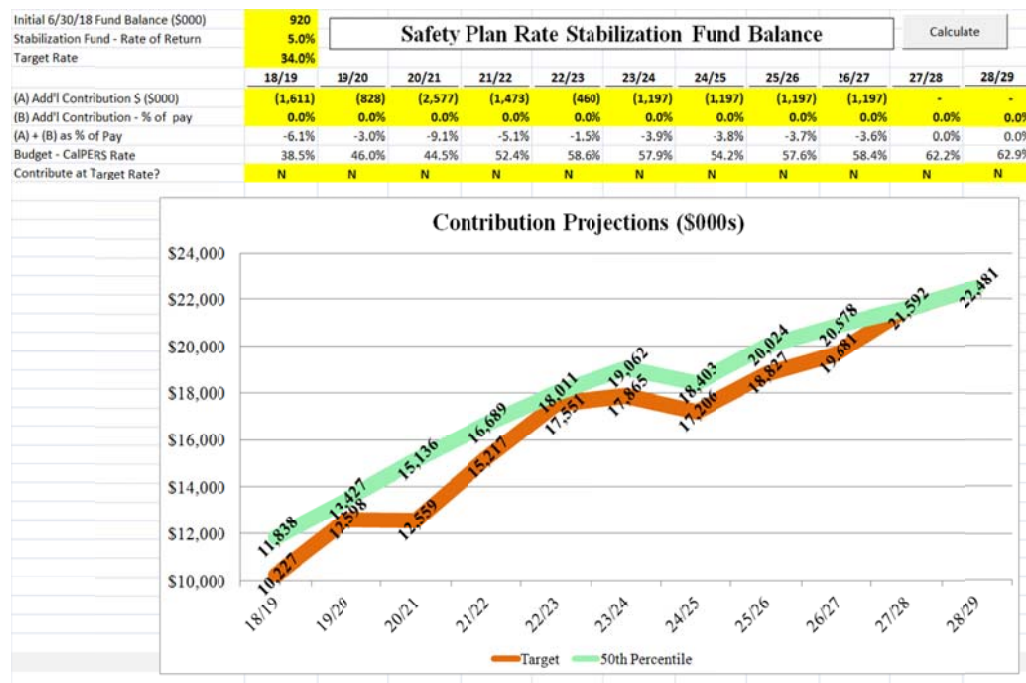
58



## IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

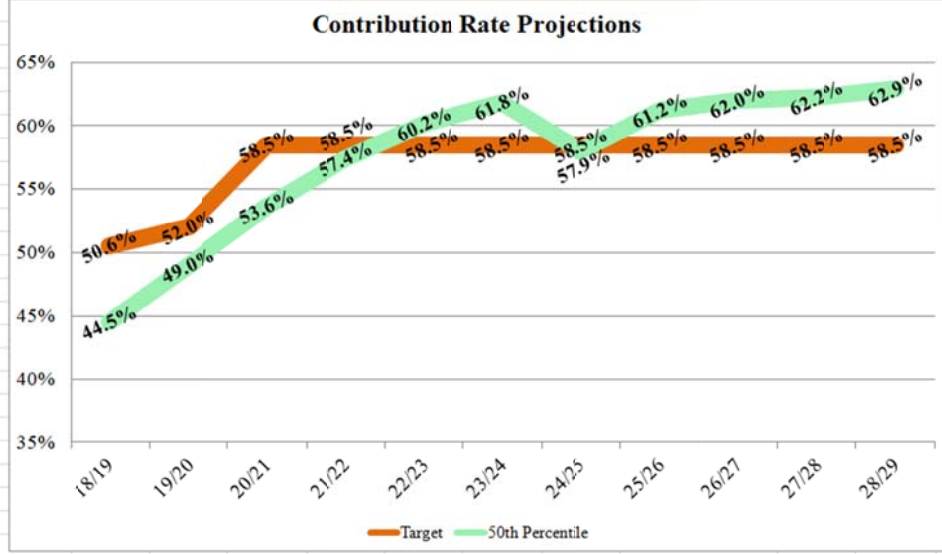


## IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST



## IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

Initial 6/30/18 Fund Balance (\$000)	920										
Stabilization Fund - Rate of Return	5.0%										
Target Rate	58.5%										
<b>Safety Plan Rate Stabilization Fund Balance</b>											
	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
(A) Add'l Contribution \$ (\$000)	1,611	428	2,577	1,473	460	1,197	1,197	1,197	1,197	-	-
(B) Add'l Contribution - % of pay	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(A) + (B) as % of Pay	6.1%	3.0%	9.1%	5.1%	1.5%	3.9%	3.8%	3.7%	3.6%	3.0%	0.0%
Budget - CalPERS Rate	50.6%	52.0%	58.5%	58.5%	58.5%	58.5%	58.5%	58.5%	58.5%	58.5%	58.5%
Contribute at Target Rate?	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y

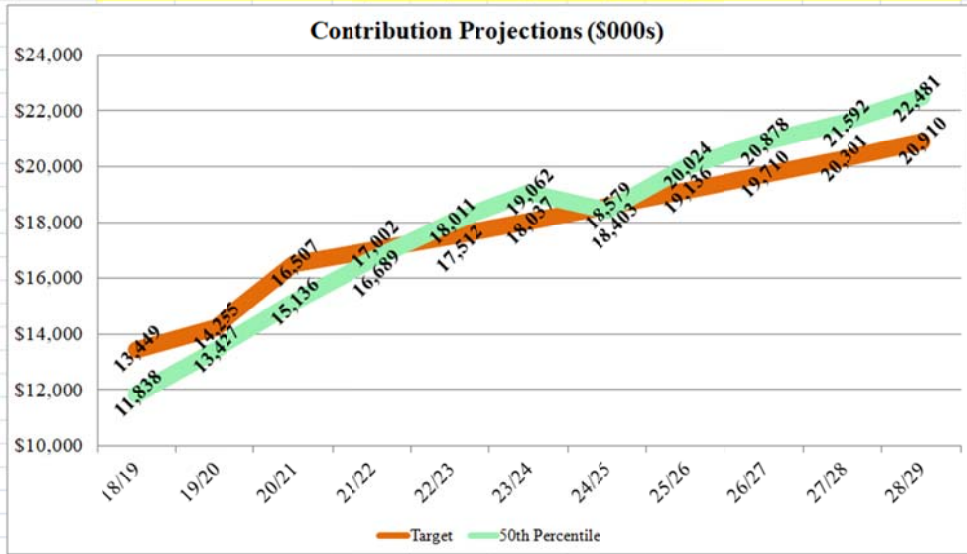


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## IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

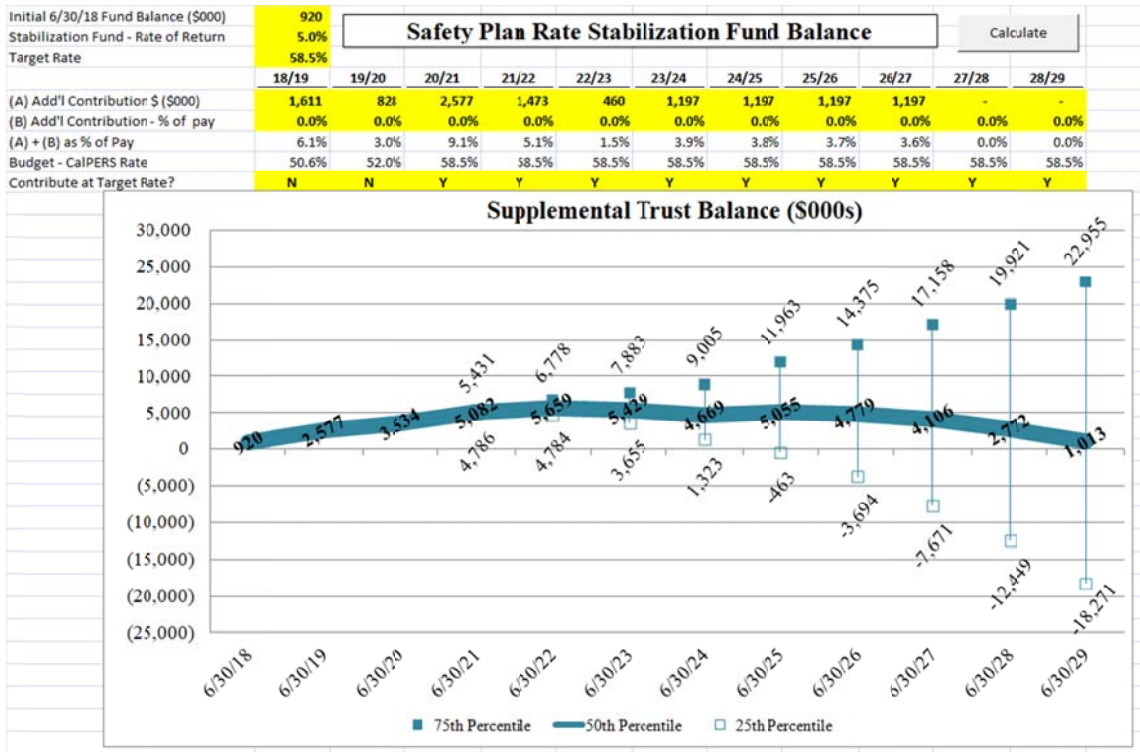
Initial 6/30/18 Fund Balance (\$000)	920										
Stabilization Fund - Rate of Return	5.0%										
Target Rate	58.5%										
<b>Safety Plan Rate Stabilization Fund Balance</b>											
	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
(A) Add'l Contribution \$ (\$000)	1,611	428	2,577	1,473	460	1,197	1,197	1,197	1,197	-	-
(B) Add'l Contribution - % of pay	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(A) + (B) as % of Pay	6.1%	3.0%	9.1%	5.1%	1.5%	3.9%	3.8%	3.7%	3.6%	3.0%	0.0%
Budget - CalPERS Rate	50.6%	52.0%	58.5%	58.5%	58.5%	58.5%	58.5%	58.5%	58.5%	58.5%	58.5%
Contribute at Target Rate?	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y



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## IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST



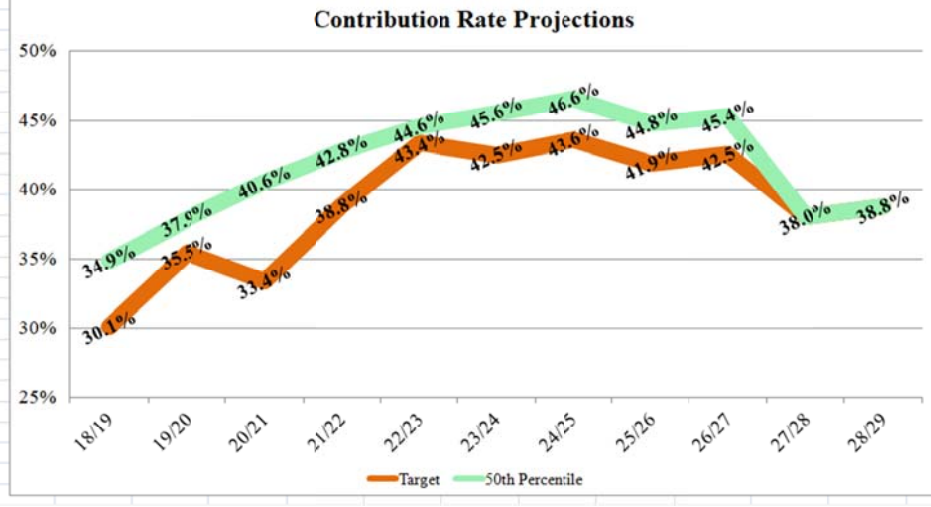
## IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

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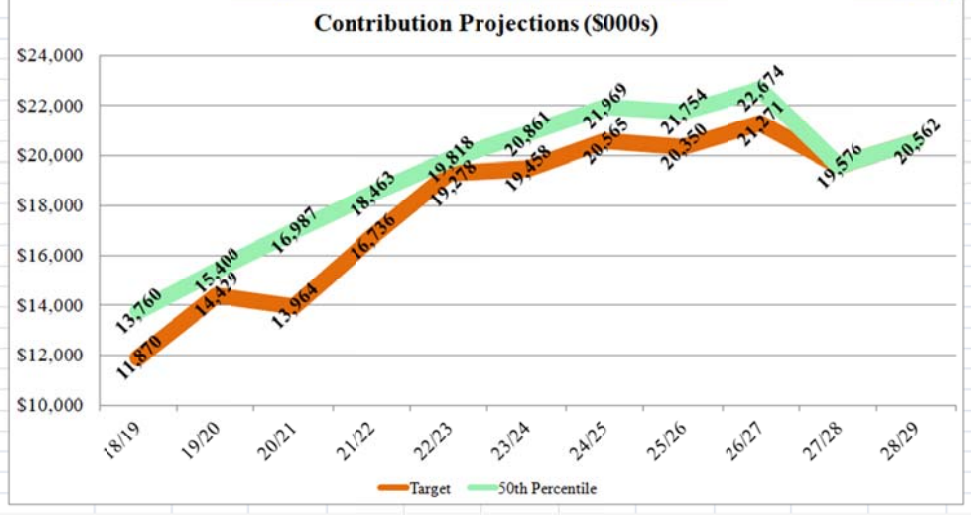
## IRREVOCABLE SUPPLEMENTAL (\$115) PENSION TRUST

Initial 6/30/18 Fund Balance (\$000)	1,080										
Stabilization Fund - Rate of Return	5.0%										
Target Rate	40.0%										
<b>Miscellaneous Plan Rate Stabilization Fund Balance</b>											
	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
(A) Add'l Contribution \$ (\$000)	(1,889)	(972)	(3,023)	(1,727)	(540)	(1,403)	(1,403)	(1,403)	(1,403)	-	-
(B) Add'l Contribution - % of pay	0.0%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(A) + (B) as % of Pay	-4.8%	-2.4%	-7.2%	-4.0%	-1.2%	-3.1%	-3.0%	-2.9%	-2.8%	0.0%	0.0%
Budget - CalPERS Rate	30.1%	35.7%	33.4%	38.8%	43.4%	42.5%	43.6%	41.9%	42.5%	38.0%	38.8%
Contribute at Target Rate?	N	N	N	N	N	N	N	N	N	N	N



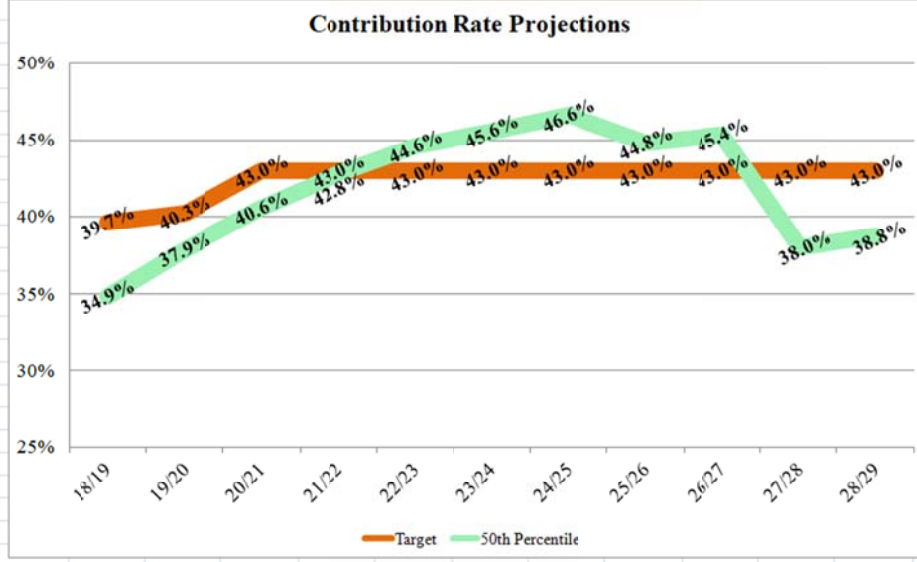
## IRREVOCABLE SUPPLEMENTAL (\$115) PENSION TRUST

Initial 6/30/18 Fund Balance (\$000)	1,080										
Stabilization Fund - Rate of Return	5.0%										
Target Rate	40.0%										
<b>Miscellaneous Plan Rate Stabilization Fund Balance</b>											
	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
(A) Add'l Contribution \$ (\$000)	(1,889)	(972)	(3,023)	(1,727)	(540)	(1,403)	(1,403)	(1,403)	(1,403)	-	-
(B) Add'l Contribution - % of pay	0.0%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(A) + (B) as % of Pay	-4.8%	-2.4%	-7.2%	-4.0%	-1.2%	-3.1%	-3.0%	-2.9%	-2.8%	0.0%	0.0%
Budget - CalPERS Rate	30.1%	35.7%	33.4%	38.8%	43.4%	42.5%	43.6%	41.9%	42.5%	38.0%	38.8%
Contribute at Target Rate?	N	N	N	N	N	N	N	N	N	N	N



## IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

Initial 6/30/18 Fund Balance (\$000)	1,080										
Stabilization Fund - Rate of Return	5.0%										
Target Rate	43.0%										
<b>Miscellaneous Plan Rate Stabilization Fund Balance</b>											
	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
(A) Add'l Contribution \$ (\$000)	1,889	912	3,023	1,727	540	1,403	1,403	1,403	1,403	-	-
(B) Add'l Contribution - % of pay	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(A) + (B) as % of Pay	4.8%	2.4%	7.2%	4.0%	1.2%	3.1%	3.0%	2.9%	2.8%	0.0%	0.0%
Budget - CalPERS Rate	39.7%	40.1%	43.0%	43.0%	43.0%	43.0%	43.0%	43.0%	43.0%	43.0%	43.0%
Contribute at Target rate?	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y

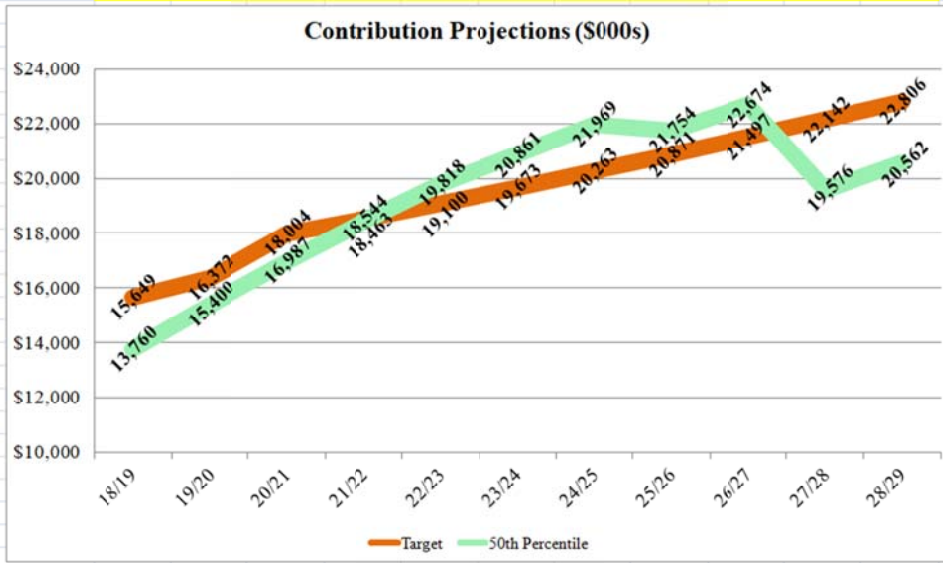


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## IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

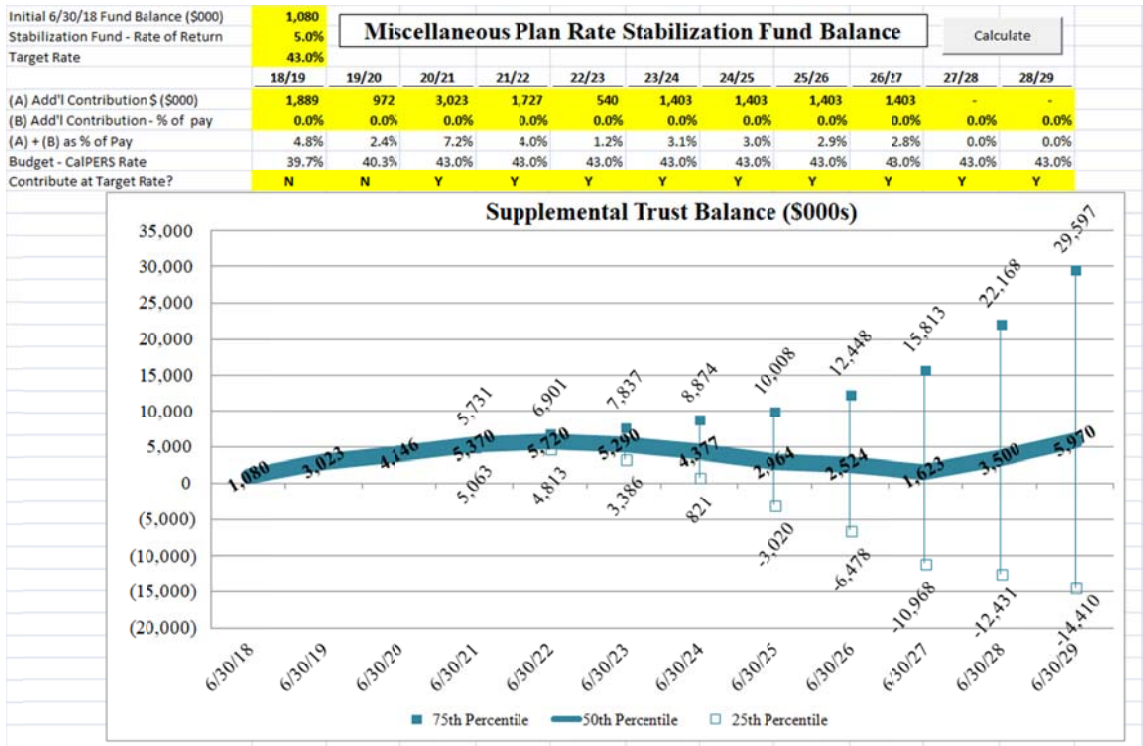
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Stabilization Fund - Rate of Return	5.0%										
Target Rate	43.0%										
<b>Miscellaneous Plan Rate Stabilization Fund Balance</b>											
	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
(A) Add'l Contribution \$ (\$000)	1,889	912	3,023	1,727	540	1,403	1,403	1,403	1,403	-	-
(B) Add'l Contribution - % of pay	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(A) + (B) as % of Pay	4.8%	2.4%	7.2%	4.0%	1.2%	3.1%	3.0%	2.9%	2.8%	0.0%	0.0%
Budget - CalPERS Rate	39.7%	40.1%	43.0%	43.0%	43.0%	43.0%	43.0%	43.0%	43.0%	43.0%	43.0%
Contribute at Target rate?	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y



September 27, 2017



## IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST



## IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

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**FUTURE CITY COUNCIL AGENDA ITEMS**  
**Updated September 21, 2017**

*AGENDA ITEMS AND CITY COUNCIL MEETING DATES ARE SUBJECT TO CHANGE.  
CHECK WITH THE CITY CLERK'S OFFICE AT 839-4617*

**October 4, 2017**  
**4:00 p.m.**

**Town Hall Meeting**

**October 11 2017**  
**4:30 p.m.**

**CONSENT CALENDAR**

**Bid Award for Stocking Live Rainbow Trout**  
(S. Bennett)

*To procure live Rainbow Trout to stock Dixon Lake and Lake Wohlford.*

**PUBLIC HEARINGS**

**CURRENT BUSINESS**

**Approval to Execute State Revolving Fund Loan Agreements for Projects within the Recycled Water for Agriculture Program**  
(C. McKinney)

*If approved, loans issued from the State Revolving Fund will be used for construction costs associated with the Recycled Water Easterly Main and Tanks Project, and the Brine Line Project.*

**FUTURE AGENDA ITEMS (D. Halverson)**



# Weekly Activity Report



September 21, 2017

## FEATURED THIS WEEK

### Annual Coastal Clean Up at Dixon Lake

On Saturday, the Recycling & Waste Reduction Division sponsored the 33<sup>rd</sup> Annual Coastal Cleanup Day at Dixon Lake. It was one of the 100 sites countywide that received a cleanup supported by volunteers. We had exactly 100 volunteers show up at Dixon Lake, and they collected about 300 pounds of trash and recycling in just three hours!



### Social Media Kudos to Escondido Police Officer

On Friday, September 14, a member of the Facebook group Escondido Friends observed an officer making an arrest at the Transit Station. Here is his comment. *“Today at 6:00pm I watched an Escondido police officer arrest a lady at the transit station. Want to give him a shout out (if I knew his name) for conducting himself to the utmost professional. Even with her being combative from the beginning he never lost his composure and handled the situation perfectly.”* This Officer was Christopher Lokers. There were several follow-on posts commending all of our officers for the great work they do every day. We are proud of our Officers and the professional service they provide to our community.

## **COMMUNITY DEVELOPMENT**

### **Major Projects Update**

The following major projects are currently being reviewed and coordinated with Planning, Engineering, Fire, Building and Utilities staff. A complete description of each project can be viewed [here](#). Updates provided below cover project milestones that occurred last week.

#### **Commercial / Office:**

1. Escondido Research and Technology Center – East (ERTC) (Developer: James McCann) – A grading plan for a temporary parking lot to serve the hospital was approved June 13, 2016, and the parking lot is nearing completion.
2. Escondido Research and Technology Center – West (ERTC) (Developer: James McCann) – A plan for a new two-story, 57,000 SF, 52-bed Palomar Rehabilitation Institute was submitted on July 31, 2017 and a letter indicating the application is incomplete was sent to the applicant on August 10, 2017. The applicant submitted revised grading and landscape plans and a storm water management plan two weeks ago.
3. Centre City Commercial Center (Developer: Todd Dwyer) SE corner Centre City/Mission – The expedited plan check process for the grading, building and landscape plans and the final parcel map started on July 25, 2017. Planning and Engineering returned grading, final map and landscape comments in August. The applicant submitted revised plans on September 7, 2017.

#### **Industrial**

1. Escondido Self-Storage Facility (Developer: Brandywine Homes, Inc.) 2319 Cranston Dr. – Revised grading, landscape, and street and improvement plans were submitted by the applicant on July 14, 2017. Engineering and Planning comments on those plans were returned to the applicant on August 11, 2017. The applicant resubmitted revised grading, landscape, and street improvement plans on September 15, 2017.
2. Innovative Industrial Development (Developer: Scott Merry, Badiee Development) 1925 Harmony Grove Road – The grading plan is ready to approve and permit ready to issue once the cash deposit is posted and the fees are paid.
3. North American Self-Storage (Developer: Russ Colvin) 852 S. Metcalf – This project is participating in the expedited plan check program. The demo has been completed. Building plans were approved by Esgil, Planning and Fire the last week of June. The grading permit was issued last week.

#### **City Projects**

1. Micro-Filtration Reverse Osmosis (Developer: City of Escondido Utilities Department) SE corner Ash/Washington – The lawsuit challenging the project approval has been settled and it is expected that a contract for engineering design will be considered soon.
2. Lake Wohlford Replacement Dam (Developer: City of Escondido Utilities Department) – A Draft EIR was prepared and issued for a 45-day public review period that began on October

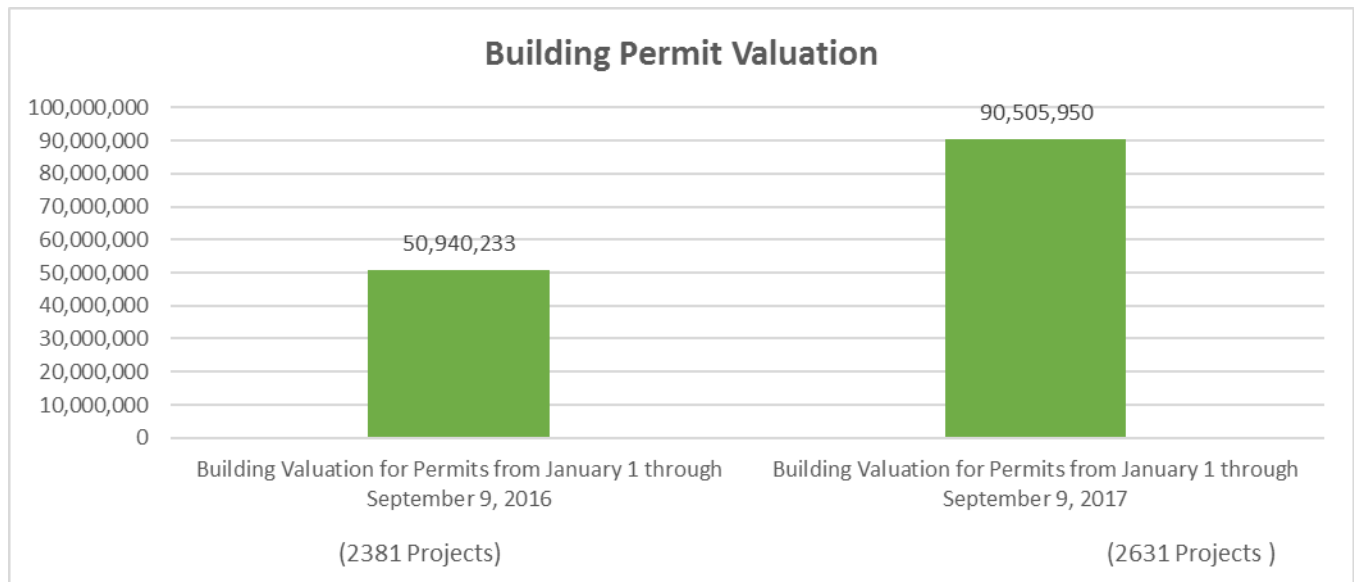
4, 2016 and closed on November 17, 2016. A field visit with staff from the state and federal wildlife agencies took place on May 11, 2017, to review biological mitigation requirements. Staff sent a follow-up letter to the wildlife agencies on June 29, 2017, seeking clarification on the proposed biological mitigation requirements. Staff is now coordinating with consultant to final the EIR and start the decision-making process.

### **Institutional**

1. Citron (formerly Stella Park) (Developer: William Lyon Homes) 63 condo units at 2516 S. Esc. Blvd. – Building plans were submitted on April 6, 2017. Esgil and Planning have provided comments. Fire has approved the building plans. The rough grading has been completed on the site. The applicant resubmitted the precise grading plan on July 14, 2017. Engineering returned comments on August 15, 2017.
2. Wohlford (Developer: Jack Henthorne) 55 lots at 661 Bear Valley Pkwy. –City staff is currently working to complete negotiations on the terms for the Development Agreement and schedule the item with the Planning Commission for review and consideration, most likely in November or December.
3. Safari Highlands Ranch (SHR) (Developer: Jeb Hall, Concordia Homes) 550 lots east of Rancho San Pasqual – A second revised tentative map depicting various minor changes and clarifications to roads, easements and drainage facilities was submitted on April 25, 2017. Revised technical engineering reports as well as responses to staff comments also have been submitted for review. The applicant filed revised emergency access plans on September 15, 2017. The revised studies have been loaded on the City’s website at the following link: [Safari Highlands Ranch Specific Plan - City of Escondido](#).
4. 18 lots at 701 San Pasqual Valley Rd (Developer: Bob Stewart) – A three-year extension of time for the previously approved ten-lot subdivision (Tract 895) was approved by the City Council on June 7, 2017. Staff comments on the revised tentative map were issued the last week of July.
5. Escondido Gateway (Developer: Carolyn Hillgren, Lyon Living) 126 condo units at 700 W. Grand – Building plans have been approved by Esgil, Planning and Fire. Grading plans have been approved by Utilities, Planning and Fire. A street vacation for right-of-way frontage along Grand Avenue is pending. Demolition is complete.
6. The Villages at Escondido Country Club (Developer: Jason Han, New Urban West, Inc.) 392 residences – Planning staff has provided a location on the city’s website for ECC project-related documents and plans. A 45-day public review period for the Draft EIR commenced on June 28, 2017, and was extended by one-week ending on August 18, 2017. Staff and the EIR consultant hosted an open house on July 31, 2017, to provide information related to the Draft EIR and accept written comments. The EIR consultant is currently drafting responses to the comments that were received. The Draft EIR and appendices have been placed on the city website. It is anticipated that the Planning Commission will review and consider the Project application on October 24<sup>th</sup> to make a recommendation to City Council. This information along with project status and other related information can be accessed at the following link: [ECC - City of Escondido](#)

7. Ivy/Valley Parkway Mixed-Use Development (Developer: Abad Rahan Pars Inc./ Norm Wieme, Architect) 20 condo units at 113 N. Ivy - The applicant has indicated that grading and building plans are expected to be submitted into plan check soon. The reimbursement agreement for new water infrastructure that will be installed by the project in the adjoining alley is being readied for City Council approval.
8. North Avenue Estates (Developer: Casey Johnson) 34 lots at North Ave./Conway Dr. – A new annexation survey of surrounding property owners was mailed out at the request of LAFCO. A neighborhood meeting hosted by staff and the project applicant occurred on August 9, 2017. City staff is currently reviewing survey feedback from surrounding property owners to determine next steps with LAFCO. The applicant is reviewing drainage issues with the Engineering Division.
9. Aspire (106 condo units on Municipal Lot 1) and The Ivy (95 condo units at 343 E. 2nd) (Developer: Addison Garza, Touchstone Communities) – The project consists of three separate downtown sites proposed for mixed-use, residential and parking garage project components on Parking Lot 1, Parking Lot 4 and the former Escondido Surgery Center property. Applications were submitted for entitlement processing on June 23, 2017. A project kick-off meeting with the applicant and city staff occurred on July 13, 2017. On July 24, 2017, staff sent a letter to the applicant indicating the project application submittal was incomplete. Subsequent meetings with the applicant and staff have been on-going. The applicant has filed a demolition permit request to remove the old surgery center at 343 E. 2<sup>nd</sup> Avenue.

**Building Division**



Building Permits Issued Last Week	Total Valuation
77	\$3,436,995

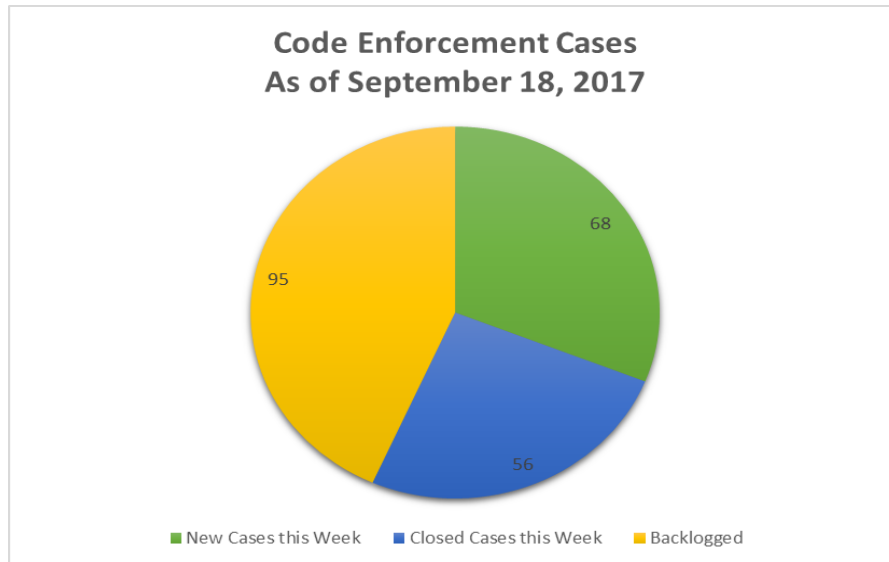
1. A total of 19 solar photovoltaic permits were issued for the week. The Building Division has issued 666 solar permits this year, to date, compared to 894 issued during the same time last year.

2. Our building inspectors responded to 165 inspection requests for the week.
3. Building has issued 162 single family dwelling permit this year and 224 multi-family units. This compares with 54 single family dwellings and 88 multi-family dwellings for the same time last year.
4. Projects nearing permit issuance are:
  - a. 917 W Lincoln, 3 new apartment buildings, 9 units.
  - b. 700 W Grand Ave Gateway project (former police building)
  - c. Storquest – four-story self-storage facility, 222 W. Mission Ave.
5. Tract 877 – 13 new single-family homes on Bernardo Avenue near I-15.
6. The construction of the City Plaza three-story mixed use building at 300 S. Escondido Blvd. continues with interior finish and cabinets in preparation for building completion the first part of 2018.
7. The Meadowbrook, three-story apartment building with underground garage at 2081 Garden Valley Glen is preparing the building for final inspection.
8. Escondido Disposal has received final inspection approval for the administration and recycling buildings and Phase II of their construction is set to begin next week.
9. The medical office building at 2125 Citracado Pkwy is now installing drywall and exterior lath.
10. The medical office building at 1951 Citracado Pkwy has received inspection approval for drywall and interior shell. Plans have been approved for the tenant improvement portion of the project. Exterior stucco is being applied.
11. The Westminster Seminary at 1725 Bear Valley Pkwy is preparing for exterior shear wall and framing inspections.
12. The children's building for Emanuel Faith Church at 639 E 17<sup>th</sup> Ave has received inspection approval for the framing of the building. The Church of Resurrection at 1445 Conway has received inspection approval for roof sheathing.
13. The new Veterans Village project at 1540 S Escondido Blvd has received underground plumbing, partial foundation and masonry inspections for the residential buildings.
14. Demolition of the old Wagon Wheel restaurant and motel at 427 W. Mission Avenue is complete and ready for the proposed new commercial development including a carwash, drive-thru restaurants and retail.
15. The second lift of the exterior masonry walls are being erected at 999 N. Broadway for the new supermarket shell building. Exterior masonry walls are now being constructed.
16. The Ford dealership at 1717 Auto Park Way has commenced on the second phase of construction which includes the interior remodel and new showroom addition.

17. Permits were issued last week for seven, new single-family homes in the Canyon Grove development by Shea Homes.

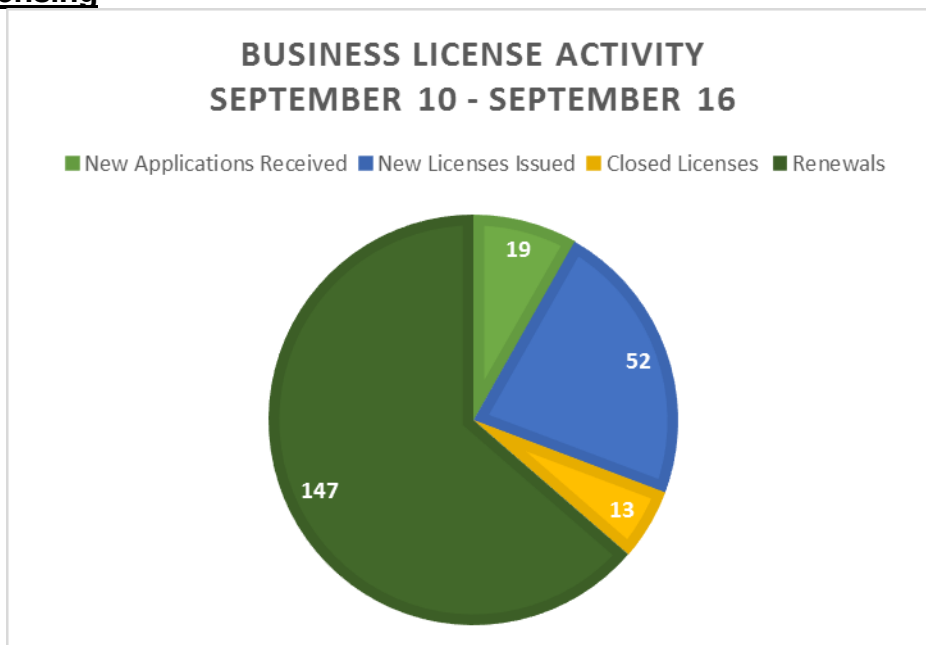
18. The Latitude II multi-family residential development at 650 N. Centre City Parkway has received underground plumbing inspection approval for Building 1 and Building 2.

**Code Enforcement**

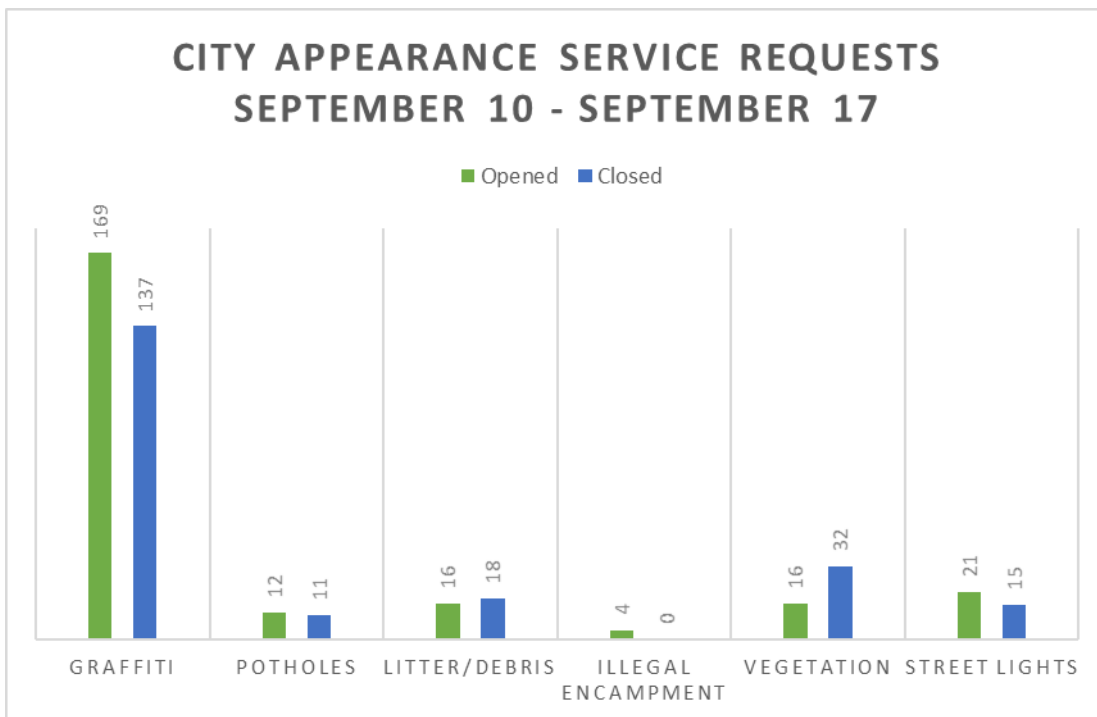
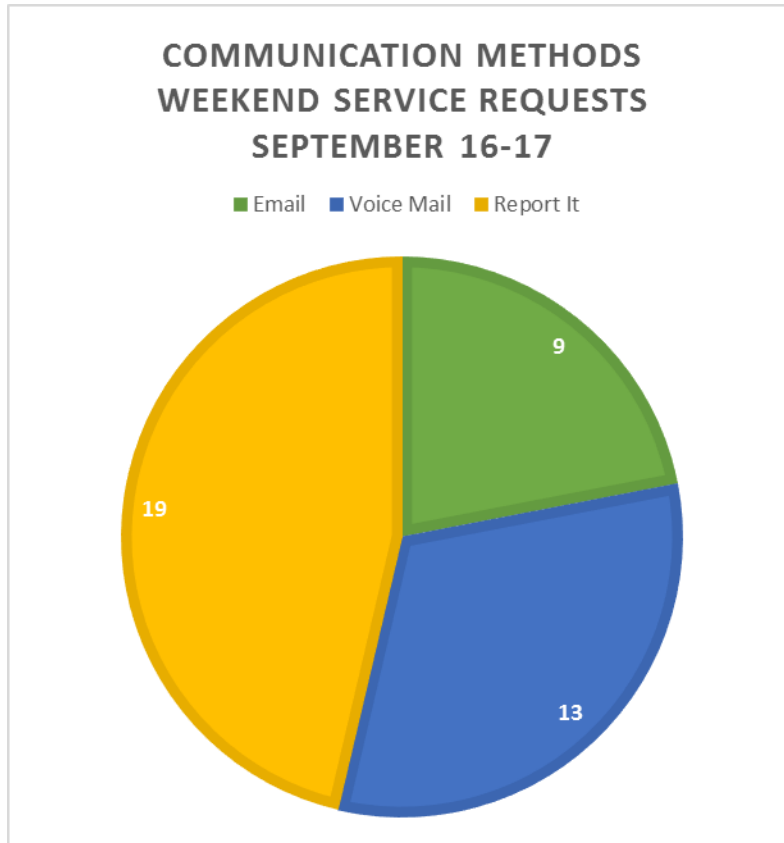


Total Open Code Cases	Illegal Signs Confiscated over the Previous Weekend
382	91

**Business Licensing**



**Public Works Operations**



## Graffiti Restitution

Collected This Week	Collected Year to Date
\$35	\$6379.51

## ENGINEERING

### Capital Improvements

#### **East Valley Pkwy/Valley Center Road Widening Project**

The contractor is clearing a section of the project north of Lake Wohlford Road and Valley Center Road. Traffic Control devices are being delivered and installation is expected to start this week. The project will widen the bridge over Escondido Creek north of Lake Wohlford Road, widen Valley Center Road, add medians and landscaping, and construct sidewalk from Beven Drive to the northern City limits. Staff has developed a web site link that will provide periodic project status and contact information. The link is now available on the City's website.

#### **Neighborhood Lighting Project**

The contract has been reviewed and signed, a preconstruction meeting will now be scheduled. The scope of work for the project includes the installation of 44 new street poles along with the replacement of 22 existing street light fixtures with the latest L.E.D. fixtures in 5 neighborhood areas.

#### **2017 Street Rehabilitation and Maintenance Project**

Staff will be seeking City Council's authorization to award a contract to the lowest responsive and responsible bidder at the September 20, 2017 meeting. Staff anticipates project work to start in October.

#### **Corrugated Metal Storm Drain Pipe Assessment Study**

This project televises all City-maintained corrugated metal pipes (CMP) and assesses their condition to allow proactive and efficient pipe maintenance. To date, approximately 25% of the CMP storm drains have been televised. A single lane of traffic remains closed along Midway Drive between Grand Avenue and Valley Parkway while the investigation continues.

### Private Development

#### **Pradera - Lennar Communities**

*No changes from that reported last week:* Phase 7 homes are being released for occupancy this week.

#### **Lexington Model Homes - KB Homes**

*No changes from that reported last week:* Constructing of new sewer main and water main along Lehner Avenue between Ash Street and Vista Avenue is continuing this week.

#### **Citron Project by William Lyon Homes**

Construction has resumed with work along Cranston Drive. The project is located 2516 S. Escondido Boulevard.

#### **Tract 932 - Canyon Grove Shea Homes Community**

Installation of concrete curb and gutter improvements along interior streets is being completed this week.



**Latitude II Condominiums by a Lyon Homes Partnership: Washington Avenue at Centre City Parkway**

The construction of the onsite water main is now complete and in operation. The project can now begin the framing operation.

**Veterans Village**

The project's water improvement is continuing this week, with work being performed onsite.

**Tract 877 – Bernardo Ave. by Ambient Communities**

The onsite construction of public improvements is being completed this week.

**Palomar Medical Center**

The parking lot opened on Monday, September 11, 2017, all on-street parking has been terminated with temporary signage and striping being removed . The NO PARKING signs are reinstalled and enforcement will resume. This will close out the reporting on this item.

**Victory Industrial Park**

The grading operation has resumed with the importing of material. The project is located at 2005 Harmony Grove Road and is 5.4 acres in size.

**Centerpoint Project**

The existing offsite public improvements, which include concrete curb and gutter, sidewalks and driveway approaches along the project boundaries, have been demoed. The project is located at 999 Broadway.

**Spring Hill Suites Hotel/ La Terraza Boulevard**

*No changes from that reported last week:* The grading operation is continuing this week. Private storm drain is being constructed this week.

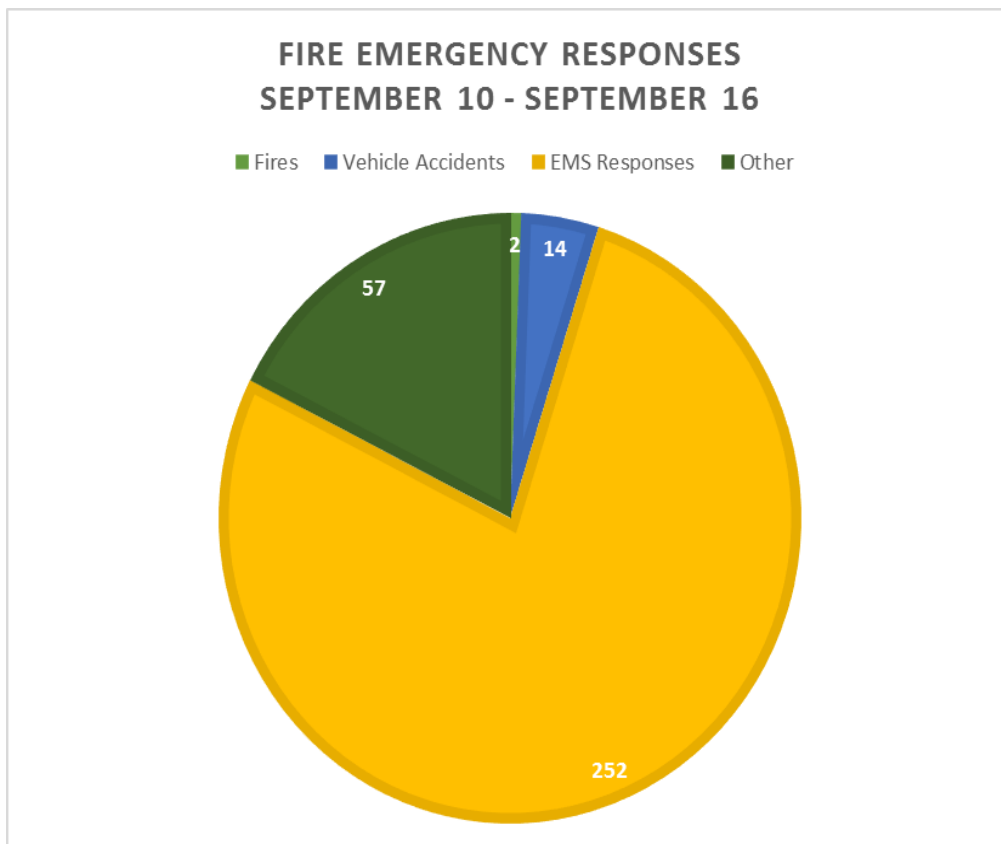
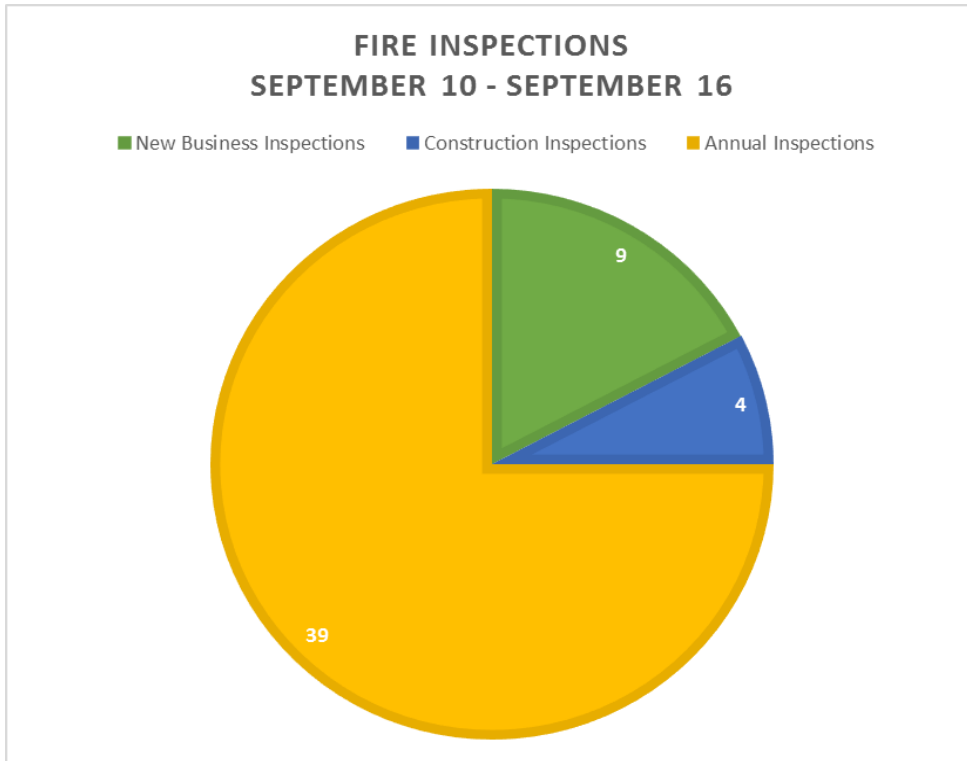
**Centre City Parkway Shopping Center:**

The project is idled at this time. The project is located at the corner of Mission Avenue and Centre City Parkway.

**Escondido Disposal Facility:**

*No changes from that reported last week:* The onsite construction of storm drain and water quality basins is proceeding this week.

**FIRE**  
**Inspections:**



Total Emergency Responses (Year To Date)	11,778
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## News:

- Welcome Home!
  - Escondido Fire Department Engineer Dom Polito was deployed to the Pier Incident in Porterville, CA on 9/12/17.
  - Escondido Fire Department Captain Kevin Beverly returned from deployment to Florida as a member of the regional FEMA Urban Search and Rescue Team, Rescue Squad 3.
  - Escondido Fire Department Captains Hankins returned from the Railroad Fire in Madera County.
  - Escondido Fire Department Firefighter/Paramedic David Jones returned from deployment to the Pier Fire in the Sequoia National Forest.
- Escondido Fire Department Engineer Dom Polito was deployed to the Pier Incident in Porterville, CA on 9/12/17.
- StachetoberFest is quickly approaching! The 2017 Stachetoberfest T-shirts are available now at <http://stachetoberfest.net/shop> and Dan Geary's trip to Europe with his girlfriend, Chelsea, is in the planning stage. Stachetoberfest is celebrating it's 10 year anniversary and will be held at Stone Brewery on October 4<sup>th</sup> at 5 p.m.

## POLICE

### INCIDENTS:

- On 9/11/17 at 04:45 hours, officers responded to a suspicious vehicle in the area of 2030 Golden Circle Dr. Upon arriving the officers make contact with three occupants. While detaining the subjects, the officers observed a handgun in the passed out front passenger's lap. Officers were able to safely separate the handgun from the passenger prior to waking him up. The handgun was determined to be an airsoft gun. He was ultimately arrested for a Parole Violation and Possession of a Controlled Substance.
- On 9/12/17 officers responded to the Westfield mall in reference to an intoxicated male subject vomiting and refusing to leave. While a security guard was dealing with him, he threatened to rape and beat her, and he attempted to fight with several security guards. Officers arrived and arrested him, but he slipped his cuffs to the front of his body and broke an inside door handle of the police car. Later in the shift, he was identified as the suspect in a robbery reported the previous day. The suspect was charged with Felony Resisting Arrest, Battery on a Peace Officer, Criminal Threats, Robbery and Vandalism.
- On 09/12/17 at 22:33 hours, officers were dispatched to 145 W. El Norte Pkwy in reference to 2 males arguing in the parking lot. During the fight, one of the males hit his girlfriend, and they drove off a short time later. An officer conducted an investigative stop on the suspect vehicle and established probable cause to arrest the male for domestic violence. Officers discovered a loaded .45 caliber pistol in the vehicle, in plain view and within the suspect's reach. The pistol was reported stolen from a residential burglary in Murrieta.

- On 9/12/17 at 22:08 hours, officers responded to a shooting in the 700 block of N. Grape St. Witnesses advised that an argument was heard between at least two individuals and then gunfire was heard. A neighbor discovered the victim who sustained a single non-life threatening gunshot wound below the waist. The neighbor transported the victim to a local hospital before police arrived on scene. The suspect was not located.
- On 9/14/17 at 07:06 hours, officers responded to the intersection of Whispering Highlands Dr and Glenridge Rd, to investigate reports of a male subject who appeared to be passed out. Upon arrival, the officers contacted a male adult subject who had a warrant for his arrest. During a subsequent search, the officers located a Mac-10 9mm submachine gun and three fully loaded magazines in the subject's backpack. The weapon appeared to have been modified for full automatic fire.
- On 9/14/17 at 13:44 hours, officers responded to a fight call at 9<sup>th</sup> and Auto Park Way. Officers arrive on scene at Al's Short Stop located at 908 Del Dios Rd and discovered a stabbing had occurred. The victim and the suspect became involved in an altercation in the parking lot resulting in the victim getting stabbed in his left abdomen area. The victim was transported to Palomar Medical Center with non-life threatening injuries. A search was conducted and the suspect was located in the Harmony Grove area and arrested.
- On 9/16/17 at 12:42 hours, units responded to 1280 W. Valley Parkway to investigate a report of one male suspect hitting another male with a baseball bat and then hit him with his vehicle while attempting to flee. Officers contacted the victim who said his father hit him on the top of his right hand with a baseball bat and then ran into him with his vehicle multiple times while attempting to flee. The victim suffered minor injuries as a result of the incident. Officers located the suspect, who was in the parking lot of 1280 Auto Park Way, and arrested him for Assault with a Deadly Weapon.
- On 09/16/17 at 22:48 hours, officers were dispatched to 725 N Fig Street in reference to a subject fighting with a security guard. An officer arrived on scene and contacted the 15-year-old suspect, who was intoxicated. While the officer attempted to detain the suspect, a second male adult suspect attempted to interfere and attacked the officer. The officer effectively deployed his Taser and utilized personal body weapons to hold-off both suspects until additional units arrived on scene. Both suspects were arrested for Felony Resisting Arrest and sustained minor injuries; the officer was not injured.

#### **COPPS:**

The EPD COPPS (Community Oriented Policing and Problem-Solving) Unit is dedicated to increasing the quality of life for the residents of Escondido through pro-active responses to crime trends and community issues. Addressing crime and public nuisance in Grape Day Park is one project the Unit has been tasked with, along with patrolling the Downtown Business District and surrounding areas.

- 3 arrests were made
- 8 citations were issued
- On Wednesday Officer Davidson had a social worker from InterFaith as a ride along. Seven people were screened during the day. One person was able to get into a shelter

that day and two others were admitted into a shelter the following day. The team was also able to facilitate an appointment for one person with the VA. They also assisted with a mother and her child with obtaining resources.

- On Thursday officers worked with nurses from the County to give out Hepatitis A vaccination. To date, a total of 60 vaccinations have been administered.

### **EVENTS:**

Senior citizens from across Escondido gathered at the Police and Fire Headquarters on Monday afternoon to pay tribute to First Responders on the 16th anniversary of the terrorist attacks on the World Trade Center and the Pentagon. Local real estate agent Wendy Moldow, along with Police Chief Craig Carter and Fire Chief Rick Vogt, were on hand to talk about the journey of a piece of 9/11 memorial art that has been on display at the facility for the past year.

The Traveling 9/11 Memorial Painting was created by Carlsbad artist Kelly Lucas and was originally auctioned off to a New York restaurateur to raise money for fallen firefighter's families. Several years later, he returned the painting to Lucas with his donation intact. Lucas again auctioned the painting off, this time to raise money for Canine Companions and the Wounded Warriors Project. Moldow was the winning bidder, and set out to display the painting at Fire Stations throughout San Diego County.

During the ceremony, Chief Vogt told the crowd of about 40 seniors that the lasting memory of the attacks was the indomitable spirit of this country and the teamwork and cooperation amongst all first responders.

"It is our job as law enforcement officers and firefighters to keep the memory of those who perished on 9/11 alive, and to be ever vigilant in the protection of our citizens," added Chief Carter. (Prepared by Lt. Walters)



###