

STAFF REPORT*CITY OF OCEANSIDE*

DATE: June 6, 2018

TO: Honorable Mayor and City Councilmembers

FROM: City Manager's Office

SUBJECT: **CONSIDER PLACEMENT OF TEMPORARY ONE-HALF CENT GENERAL TRANSACTIONS AND USE (SALES) TAX MEASURE ON THE NOVEMBER 6, 2018 MUNICIPAL ELECTION**

SYNOPSIS

Staff recommends that the City Council adopt a resolution calling for an election submitting a proposed temporary one-half cent general transactions and use (sales) tax increase to the voters and introduce an ordinance adding Chapter 34, Article II, Section 34.6.1 through 34.6.17 to the Oceanside City Code to establish a temporary one-half cent general transactions and use (sales) tax to be administered by the California Department of Tax and Fee Administration including provisions for citizens' oversight and accountability.

Although individual Council members may not personally support the tax, staff asks that you place this item on the ballot and introduce the ordinance to allow the voters to decide this important issue, in the spirit of taxpayers' right to decide.

BACKGROUND

Over the past decade, the City of Oceanside's revenues have not kept pace with the growing costs associated with providing municipal services and facilities. It is becoming increasingly challenging to maintain the quality of City services such as crime and gang prevention, 911 response, pothole repair, and street maintenance. The City has been proactive in responding to this challenge by reducing its costs where feasible, including laying off more than 100 employees, deferring street and infrastructure maintenance, and cutting back on basic city services. Total City employment is still well below pre-recession levels with 109 fewer positions than the peak in 2008, despite adding over 11,000 residents. The Fiscal Year (FY) 2017-18 budget included additional cost containment measures such as modified hiring restrictions, employees picking up greater shares of pension costs, and capping the City's contribution to health care. Even after these deep cuts, however, the City is facing a structural deficit beginning in FY 2020-21 even as demand for services continues to increase. In order to maintain service levels, additional revenue sources are needed.

During development of the FY 2017-18 budget, the City Manager recommended evaluation of a potential sales tax measure to help increase revenues to maintain critical

city services. Local jurisdictions can obtain voter approval for local transactions and use taxes (aka sales tax) at a general election; the City's next scheduled general election is November 6, 2018. A general tax measure requires approval of 50% of voters, plus one. The deadline to place a measure on the November 2018 ballot is August 10, 2018, and requires approval by two-thirds of the City Council (four affirmative votes).

As of spring 2018, 186 of 482 cities in California have approved transaction and use taxes with four additional cities placing measures before voters in June 2018, including .25 % in Santa Cruz and an additional .5% in Chula Vista. The current sales tax rate in Oceanside is 7.75% and the average rate in California is 8.5% as of July 1, 2017. Cities in San Diego County or nearby that have achieved voter approval of local sales taxes include:

<u>City</u>	<u>Total Rate</u>	<u>Local Rate</u>	<u>Election Date</u>	<u>Approval Rate</u>
Chula Vista*	8.25%	.5%	November 2016	67.5%
*Measure A on the June 2018 ballot would add another .5% for a total of 8.75%				
Del Mar	8.75%	1.0%	November 2016	67.3%
El Cajon	8.25%	.5%	November 2008	51.77%
La Mesa	8.5%	.75%	November 2008	55.51%
National City	8.75%	1.0%	June, 2006**	58.1%
**renewed 11/14 by 68.6% of voters				
Vista	8.25%	.5%	November 2006	53.97%
Temecula	8.75%	1.0%	November 2016	50.5%
Oceanside	7.75%			

Other Southern California coastal cities with local sales taxes include Avalon (10.0%), Long Beach (10.25%), Santa Monica (10.25%), and Santa Barbara (8.75%).

Feasibility Survey and Polling. Staff issued a Request for Proposals (RFP) for a Feasibility Survey and polling on June 16, 2017, and six proposals were received by the deadline of July 7, 2017. The staff review committee unanimously recommended True North Research, Inc., of Encinitas, and sub-consultant TBWB Strategies, to conduct the survey.

The survey was administered to a random sample of 1,334 registered voters in the City of Oceanside who are likely to participate in the November 2018 election. The margin of error for this sample size is +/- 2.64%. The survey was conducted by phone and online in English and Spanish between September 25 and October 3, 2017.

Nearly eight-in-ten respondents shared favorable opinions of the quality of life in Oceanside, and eighty percent (80%) indicated that they were satisfied with the City of Oceanside's efforts to provide municipal services, with 23% saying they were very satisfied. The survey results further showed that 64% of likely voters would support a half-cent sales tax measure in November 2018. Respondents demonstrated strong support for public safety (both police and fire) and public works and infrastructure projects and services. The City Council received a report on the survey results on November 1, 2017.

In order to continue to obtain community input on priorities as well as to educate the community on the City's current and projected financial condition and services, staff developed an informational website and presented information about the potential sales tax measure to 24 organizations including the City's Advisory Boards and Commissions, business and community organizations, and neighborhood groups. Information was also disseminated through a variety of channels including the City's newsletters, Oceanside Update, KOCT Public Service Announcement and North County Roundtable, Osider magazine, and mailed postcards. Three organizations, the Oceanside Chamber of Commerce, Visit Oceanside, and MainStreet Oceanside, have submitted letters (Attachment 4) asking the City Council to place a measure on the November ballot to let the voters decide whether to increase the local sales tax rate.

ANALYSIS

The sales tax rate currently applied in the City of Oceanside is 7.75%, which is the base rate for San Diego County. This includes a combined statewide rate of 7.25% and a San Diego county district tax of 0.50% for the TransNet Program. Of the total 7.75% collected, Oceanside receives only 1%. Pursuant to Revenue and Taxation Code Section 7251.1, the combined taxes in any county (above the statewide tax rate) cannot exceed 2%. A general purpose tax increase of one-half percent (0.50%) is recommended, with a seven year sunset. This increase is projected to generate an estimated \$81M in additional revenues over the seven year life of the measure (assuming an average sales tax revenue increase of 1% per year); with actual revenues determined by economic conditions. Also pursuant to California Revenue and Taxation Code, food items (groceries), prescriptions, certain medical devices, and other "Necessities of Life" are exempt from sales tax. Staff contracted with an economist, BW Research, who analyzed Oceanside's current sales tax revenue and demographics and estimated that 37% of sales tax revenue comes from residents, with the majority (63%) being paid by non-residents, tourists, and businesses. BW Research also projected that the median Oceanside household, earning \$66,348 annually, would pay an additional \$67 annually if the ½ cent increase is approved, about \$5.61 per month.

In order to enact a local sales tax, the City Council must first approve an ordinance (Attachment 1) amending the Oceanside City Code by adding Chapter 34, Article II, Sections 34.6.1 through 34.6.17 to establish a temporary one-half cent general transactions and use tax to be administered by the California Department of Tax and Fee Administration including provisions for citizens' oversight and accountability.

The next step is adoption of a resolution (Attachment 2) calling and giving notice of a consolidated general election to be held on November 6, 2018, and ordering submission of a measure at said election, to consider approval of the ordinance. The Council must approve the ordinance and resolution with a two-thirds vote, which requires four affirmative votes. Majority voter approval is required to approve the local sales tax (50% of voters, plus one).

The ballot language to be presented to the voters is as follows:

“To provide funding to maintain and improve general city services including: police patrols, crime, drug, and gang prevention, fire, paramedic and 9-1-1 response, pothole repair, street maintenance, improved infrastructure, maintain safe, clean parks and beaches, and address homelessness, shall the City of Oceanside establish a sales tax of one-half of one percent (0.5%) for 7 years, providing an estimated 11 million dollars annually for general city services, requiring citizen oversight, independent audits, and all funds controlled locally?”

The revenue from the measure would be paid in addition to the existing sales tax and would be collected at the same time and in the same manner as the existing sales tax except as to vehicle sales, which are taxed based on where the vehicle will be registered, rather than where it is sold. This avoids creating a competitive disadvantage for automotive and other vehicle dealers in cities with local sales taxes. As with the existing tax, the new revenue would be collected by the California Department of Tax and Fee Administration (formerly part of the State Board of Equalization), however all revenue generated would be dedicated to Oceanside and could not be diverted to the state or other agencies. Because the measure is a proposed “general tax”, the revenues would go into the City’s general fund and could be used for any legal municipal purpose.

The ordinance provides that tax would go into effect on the first day of the first calendar quarter commencing more than 110 days after approval of the ordinance by the electorate. Staff anticipates an effective date of April 1, 2019, if voters approve the tax in November.

Citizen Oversight and Accountability. The ordinance contains the following provisions to provide oversight, transparency and accountability for the funds received from the sales tax:

- **Separate Fund.** All revenue generated by the tax will be accounted for in a separate subfund within the General Fund entitled with the name of the measure. Any and all expenditures will be tracked and accounted for by the City Financial Services Department in accordance with Generally Accepted Accounting Principles (GAAP) and presented annually in a report to the Citizens’ Oversight Committee.
- **Citizens’ Oversight Committee.** The City Council shall create a Citizens’ Oversight Committee by April 30, 2019. Committee members shall include those with a range of expertise including accounting, finance and engineering. The Committee shall operate under the Brown Act and will be responsible for review and comment on the Finance Report, Spending Plan and Annual Audit; preparation of an annual report regarding compliance with the Spending Plan; and working with City staff to identify and apply “best practices” for tracking and reporting.
- **Spending Plan.** The City Manager must prepare an annual spending plan for review and recommendation by the Citizens’ Oversight Committee prior to City

Council consideration of the annual budget. The Spending Plan shall include specific proposals for near-term expenditures and a plan for expenditures throughout the seven year term of the tax.

- Annual Independent Audit. Beginning with FY 2018-19, a review of the collection and expenditure of the tax revenue shall be included in the annual audit by the City's independent auditors. This audit shall be presented each year to the Citizens' Oversight Committee for review and then presented to the City Council.

Impartial Analysis. Pursuant to Elections Code Section 9280, the proposed resolution directs the City Attorney to prepare an impartial analysis of the measure not exceeding 500 words showing the effect of the measure on the existing law and the operation of the measure.

Ballot Arguments. Elections Code Section 9282 allows the legislative body, any member or members of the legislative body authorized by the body, any individual voter who is eligible to vote on the measure, bona fide association of citizens, or any combination of voters and associations, to submit an argument for or against a measure placed on the ballot by the legislative body. Arguments may not exceed 300 words in length, and must be submitted to the City Clerk by a deadline to be established by the Registrar of Voters. Staff is recommending and the draft resolution authorizes the Mayor to submit arguments in favor of the measure, on behalf of the City Council. Pursuant to Elections Code 9285 (a)(2) the author or a majority of the authors of an argument relating to a city measure may prepare and submit a rebuttal argument or may authorize in writing another person or persons to prepare, submit, or sign the rebuttal argument. A rebuttal argument shall not exceed 250 words.

FISCAL IMPACT

The City's sales tax consultant, HdL Companies, estimates that a half-cent transactions and use tax (aka sales tax) would generate \$11.2 million in annual revenue. This increase is projected to generate an estimated \$81M in additional revenues over the life of the measure (assuming an average increase in sales tax revenues of 1% per year); with actual revenues determined by economic conditions. State law requires that the ballot question include the amount of money to be raised annually and the rate and duration of the tax to be levied. Staff is proposing a duration of seven years and this is included in the proposed ballot question.

Adding this measure to the consolidated general election scheduled for November 6, 2018 is estimated to cost \$27,000-\$47,000. If passed, preparatory costs and ongoing administration costs will be charged by the California Department of Tax and Fee Administration and will be paid from the revenues received.

INSURANCE REQUIREMENTS

Does not apply.

COMMISSION OR COMMITTEE REPORT

Informational presentations were provided to the City's Advisory Boards and Commissions during their regular meetings.

CITY ATTORNEY'S ANALYSIS

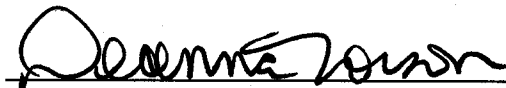
A sales tax increase that generates revenue to be used for any governmental purpose is considered a general tax. A general tax increase must be approved by a majority of voters. The election to approve a general tax increase must be consolidated with a regularly scheduled general election for members of the city council, except in cases of emergency declared by unanimous vote of the council. Revenue and Taxation Code Section 7285.9 requires the increase be approved by two-thirds of the entire city council.

RECOMMENDATION

Staff recommends that the City Council adopt a resolution calling for an election submitting a proposed temporary one-half cent general transactions and use (sales) tax increase to the voters and introduce an ordinance adding Chapter 34, Article II, Section 34.6.1 through 34.6.17 to the Oceanside City Code to establish a temporary one-half cent general transactions and use (sales) tax to be administered by the California Department of Tax and Fee Administration including provisions for citizens' oversight and accountability.

PREPARED BY:

SUBMITTED BY:



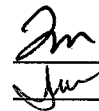
Deanna Lorson
Assistant City Manager



Michelle Skaggs Lawrence
City Manager

REVIEWED BY:

John Mullen, City Attorney
Jane McPherson, Financial Services Director



Attachments:

1. Ordinance
2. Resolution
3. Budget Background
4. Letters of Support

ORDINANCE NO. _____

1
2 AN ORDINANCE OF THE CITY OF OCEANSIDE ADDING
3 CHAPTER 34, ARTICLE II, SECTIONS 34.6.1 THROUGH
4 34.6.17 TO THE OCEANSIDE CITY CODE TO ESTABLISH A
5 TEMPORARY ONE-HALF CENT GENERAL TRANSACTIONS
6 AND USE TAX TO BE ADMINISTERED BY THE CALIFORNIA
7 DEPARTMENT OF TAX AND FEE ADMINISTRATION
8 INCLUDING PROVISIONS FOR CITIZENS' OVERSIGHT AND
9 ACCOUNTABILITY

10 WHEREAS, the cost of providing police and fire protection services has substantially
11 increased every year and the Oceanside ("City") does not receive significant state or federal
12 funding for public safety services; and

13 WHEREAS, the City needs additional resources to retain the City's current staffing
14 levels of police officers, firefighters/paramedics and lifeguards; and

15 WHEREAS, numerous City facilities, including streets, storm drains, sidewalks, curbs,
16 gutters, park and recreation facilities, libraries, and other infrastructure are in need of repair,
17 replacement, upgrading and/or maintenance; and

18 WHEREAS, the City has determined that the enactment of a temporary one half cent
19 general local transactions and use tax (commonly known as a "sales tax") would allow the City
20 to address the City public safety, infrastructure, facilities and equipment priorities without
21 compromising existing City services; and

22 WHEREAS, an independent professional survey commissioned by the City determined
23 that sixty-four percent of likely November 2018 Oceanside voters supported a temporary one
24 half cent sales tax increase; and

25 WHEREAS, pursuant to Article XIII C of the California Constitution, and California
26 Revenue and Taxation Code Section 7285.9, the City has the authority to enact a local sales tax
27 for general purposes with the approval of the majority of voters in the City voting in an election
28 on the issue; and

1 WHEREAS, the City Council directed staff to prepare for submittal to the voters an
2 ordinance enacting a one-half cent sales tax for 7 years consistent with all applicable general
3 purpose tax laws, including measures providing for citizens' oversight, separate accounting and
4 independent audits; and

5 WHEREAS, proposed Sections 34.6.1 through 34.6.17 of the Oceanside City Code, set
6 forth below, establish a transactions and use tax to be administered by the California
7 Department of Tax and Fee Administration consistent with City Council direction; and

8 NOW, THEREFORE, subject to approval by an affirmative, simple majority vote of the
9 people as required by law, the People of the City of Oceanside do ordain as follows:

10 SECTION 1: The Oceanside Code is hereby revised to add Chapter 34, Article II,
11 Sections 34.6.1 through 34.6.17 as set forth below, thereby enacting a local transactions and use
12 tax within the City of Oceanside, to be administered by the California Department of Tax and
13 Fee Administration:

14 **CHAPTER 34, ARTICLE II, SECTIONS 34.6.1 THROUGH 34.6.17 -**
15 **TEMPORARY ONE-HALF CENT SALES TAX**

16 **34.6.1 - TITLE.**

17 This ordinance shall be known as the Oceanside Temporary One-Half Cent Sales Tax
18 Ordinance. The City of Oceanside hereinafter shall be called "City." This Ordinance shall be
19 applicable in the incorporated territory of the City.

20 **34.6.2 - PURPOSE.**

21 This Ordinance is adopted to achieve the following, among other purposes, and directs
22 that the provisions hereof be interpreted in order to accomplish those purposes:

23 A. To impose a retail transactions and use tax, in accordance with the provisions of
24 Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code and
25 Section 7285.9 of Part 1.7 of Division 2 which authorizes the City to adopt this tax ordinance
26 which shall be operative if a majority vote of the electors voting on the measure vote to approve
27 the imposition of the tax at an election called for that purpose.

28

1 B. To adopt a retail transactions and use tax ordinance that incorporates provisions
2 identical to those of the Sales and Use Tax Law of the State of California insofar as those
3 provisions are not inconsistent with the requirements and limitations contained in Part 1.6 of
4 Division 2 of the Revenue and Taxation Code.

5 C. To adopt a retail transactions and use tax ordinance that imposes a tax and
6 provides a measure therefore that can be administered and collected by the California
7 Department of Tax and Fee Administration in a manner that adapts itself as fully as practicable
8 to, and requires the least possible deviation from, the existing statutory and administrative
9 procedures followed by the California Department of Tax and Fee Administration in
10 administering and collecting California State Sales and Use Taxes.

11 D. To adopt a retail transactions and use tax ordinance that can be administered in a
12 manner that will be, to the greatest degree possible, consistent with the provisions of Part 1.6 of
13 Division 2 of the Revenue and Taxation Code, minimize the cost of collecting the transactions
14 and use taxes, and at the same time, minimize the burden of record keeping upon persons
15 subject to taxation under the provisions of this Ordinance.

16 **34.6.3 - OPERATIVE DATE.**

17 “Operative Date” means the first day of the first calendar quarter commencing more than
18 110 days after the approval of the voters of the City of a measure approving the imposition of
19 the transactions and use tax set forth herein, unless a later Operative Date becomes effective
20 under the provisions of Section 34.6.6.

21 **34.6.4 - TRANSACTIONS AND USE TAX IMPOSITION AND RATE.**

22 A. For the privilege of selling tangible personal property at retail, a tax is hereby
23 imposed upon all retailers in the incorporated territory of the City at the rate of one-half of one
24 percent (0.5%) of the gross receipts of any retailer from the sale of all tangible personal
25 property sold at retail in said territory on and after the Operative Date of this Ordinance.

26 B. An excise tax is hereby imposed on the storage, use or other consumption in the City
27 of tangible personal property purchased from any retailer on and after the Operative Date of this
28 Ordinance for storage, use or other consumption in said territory at the rate of one-half of one

1 percent (0.5%) of the sales price of the property. The sales price shall include delivery charges
2 when such charges are subject to state sales or use tax regardless of the place to which delivery
3 is made.

4 **34.6.5 - TERMINATION DATE.**

5 The authority to levy the tax imposed by this Ordinance shall expire seven (7) years
6 following the Operative Date.

7 **34.6.6 - CONTRACT WITH CALIFORNIA DEPARTMENT OF TAX AND FEE**
8 **ADMINISTRATION.**

9 Prior to the Operative Date, City shall contract with the California Department of Tax
10 and Fee Administration to perform all functions incident to the administration and operation of
11 this Ordinance; provided, that if the City shall not have contracted with the California
12 Department of Tax and Fee Administration prior to the Operative Date, it shall nevertheless so
13 contract, and in such a case the Operative Date shall be the first day of the first calendar quarter
14 following the effective date of such a contract.

15 **34.6.7 - PLACE OF SALE.**

16 For the purposes of this Ordinance, all retail sales are consummated at the place of
17 business of the retailer unless the tangible personal property sold is delivered by the retailer or
18 his agent to an out-of-state destination or to a common carrier for delivery to an out-of-state
19 destination. The gross receipts from such sales shall include delivery charges, when such
20 charges are subject to the State sales and use tax, regardless of the place to which delivery is
21 made. In the event a retailer has no permanent place of business in the State or has more than
22 one place of business, the place or places at which the retail sales are consummated shall be
23 determined under rules and regulations to be prescribed and adopted by the California
24 Department of tax and Fee Administration.

25 **34.6.8 - ADOPTION OF PROVISIONS OF STATE LAW.**

26 Except as otherwise provided in this Ordinance and except insofar as they are
27 inconsistent with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code, all
28 of the provisions of Part 1 (commencing with Section 6001) of Division 2 of the Revenue and

1 Taxation Code are hereby adopted and made a part of this Ordinance as though fully set forth
2 herein.

3 **34.6.9 - LIMITATIONS ON ADOPTION OF STATE LAW AND COLLECTION OF**
4 **USE TAXES.**

5 In adopting the provisions of Part 1 of Division 2 of the Revenue and Taxation Code:

6 A. Wherever the State of California is named or referred to as the taxing agency, the
7 name of this City shall be substituted therefor. However, the substitution shall not be made
8 when:

9 1. The word "State" is used as part of the title of the State Controller, State
10 Treasurer, Victim Compensation and Government Claims Board, California Department of Tax
11 and Fee Administration, State Treasury, or the Constitution of the State of California;

12 2. The result of that substitution would require action be taken by or against this
13 City or any agency, officer, or employee thereof, rather than by or against the California
14 Department of Tax and Fee Administration, in performing the functions incident to the
15 administration or operation of this Ordinance.

16 3. In those sections, including but not necessarily limited to sections referring to
17 the exterior boundaries of the State of California, where the result of the substitution would be
18 to:

19 a. Provide an exemption from this tax with respect to certain sales, storage,
20 use or other consumption of tangible personal property which would not otherwise be exempt
21 from this tax while such sales, storage, use or other consumption remain subject to tax by the
22 State under the provisions of Part 1 of Division 2 of the Revenue and Taxation Code; or

23 b. Impose this tax with respect to certain sales, storage, use or other
24 consumption of tangible personal property which would not be subject to tax by the State under
25 the said provision of that code.

26 4. In Sections 6701, 6702 (except in the last sentence thereof), 6711, 6715, 6737,
27 6797 or 6828 of the Revenue and Taxation Code.

28

1 B. The word "City" shall be substituted for the word "State" in the phrase "retailer
2 engaged in business in this State" in Section 6203 and in the definition of that phrase in Section
3 6203.

4 **34.6.10 - PERMIT NOT REQUIRED.**

5 If a seller's permit has been issued to a retailer under Section 6067 of the Revenue and
6 Taxation Code, an additional transactor's permit shall not be required by this Ordinance.

7 **34.6.11- EXEMPTIONS AND EXCLUSIONS.**

8 A. There shall be excluded from the measure of the transactions tax and the use tax
9 the amount of any sales tax or use tax imposed by the State of California or by any city, city and
10 county, or county pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law or the
11 amount of any state-administered transactions or use tax.

12 B. There are exempted from the computation of the amount of transactions tax the
13 gross receipts from:

14 1. Sales of tangible personal property, other than fuel or petroleum products, to
15 operators of aircraft to be used or consumed principally outside the county in which the sale is
16 made and directly and exclusively in the use of such aircraft as common carriers of persons or
17 property under the authority of the laws of this State, the United States, or any foreign
18 government.

19 2. Sales of property to be used outside the City which is shipped to a point
20 outside the City, pursuant to the contract of sale, by delivery to such point by the retailer or his
21 agent, or by delivery by the retailer to a carrier for shipment to a consignee at such point. For
22 the purposes of this paragraph, delivery to a point outside the City shall be satisfied:

23 a. With respect to vehicles (other than commercial vehicles) subject to
24 registration pursuant to Chapter 1 (commencing with Section 4000) of Division 3 of the Vehicle
25 Code, aircraft licensed in compliance with Section 21411 of the Public Utilities Code, and
26 undocumented vessels registered under Chapter 2 of Division 3.5 (commencing with Section
27 9840) of the Vehicle Code by registration to an out-of-City address and by a declaration under
28

1 penalty of perjury, signed by the buyer, stating that such address is, in fact, his or her principal
2 place of residence; and

3 b. With respect to commercial vehicles, by registration to a place of
4 business out-of-City and declaration under penalty of perjury, signed by the buyer, that the
5 vehicle will be operated from that address.

6 3. The sale of tangible personal property if the seller is obligated to furnish the
7 property for a fixed price pursuant to a contract entered into prior to the operative date of this
8 Ordinance.

9 4. A lease of tangible personal property which is a continuing sale of such
10 property, for any period of time for which the lessor is obligated to lease the property for an
11 amount fixed by the lease prior to the operative date of this Ordinance.

12 5. For the purposes of subsections (3) and (4) of this section, the sale or lease of
13 tangible personal property shall be deemed not to be obligated pursuant to a contract or lease for
14 any period of time for which any party to the contract or lease has the unconditional right to
15 terminate the contract or lease upon notice, whether or not such right is exercised.

16 C. There are exempted from the use tax imposed by this Ordinance, the storage, use
17 or other consumption in this City of tangible personal property:

18 1. The gross receipts from the sale of which have been subject to a transactions
19 tax under any State-administered transactions and use tax ordinance.

20 2. Other than fuel or petroleum products purchased by operators of aircraft and
21 used or consumed by such operators directly and exclusively in the use of such aircraft as
22 common carriers of persons or property for hire or compensation under a certificate of public
23 convenience and necessity issued pursuant to the laws of this State, the United States, or any
24 foreign government. This exemption is in addition to the exemptions provided in Sections 6366
25 and 6366.1 of the Revenue and Taxation Code of the State of California.

26 3. If the purchaser is obligated to purchase the property for a fixed price pursuant
27 to a contract entered into prior to the operative date of this Ordinance.

28

1 4. If the possession of, or the exercise of any right or power over, the tangible
2 personal property arises under a lease which is a continuing purchase of such property for any
3 period of time for which the lessee is obligated to lease the property for an amount fixed by a
4 lease prior to the Operative Date of this Ordinance.

5 5. For the purposes of subparagraphs (3) and (4) of this section, storage, use, or
6 other consumption, or possession of, or exercise of any right or power over, tangible personal
7 property shall be deemed not to be obligated pursuant to a contract or lease for any period of
8 time for which any party to the contract or lease has the unconditional right to terminate the
9 contract or lease upon notice, whether or not such right is exercised.

10 6. Except as provided in subparagraph (7), a retailer engaged in business in the
11 City shall not be required to collect use tax from the purchaser of tangible personal property,
12 unless the retailer ships or delivers the property into the City or participates within the City in
13 making the sale of the property, including, but not limited to, soliciting or receiving the order,
14 either directly or indirectly, at a place of business of the retailer in the City or through any
15 representative, agent, canvasser, solicitor, subsidiary, or person in the City under the authority
16 of the retailer.

17 7. "A retailer engaged in business in the City" shall also include any retailer of
18 any of the following: vehicles subject to registration pursuant to Chapter 1 (commencing with
19 Section 4000) of Division 3 of the Vehicle Code, aircraft licensed in compliance with Section
20 21411 of the Public Utilities Code, or undocumented vessels registered under Division 3.5
21 (commencing with Section 9840) of the Vehicle Code. That retailer shall be required to collect
22 use tax from any purchaser who registers or licenses the vehicle, vessel, or aircraft at an address
23 in the City.

24 D. Any person subject to use tax under this Ordinance may credit against that tax any
25 transactions tax or reimbursement for transactions tax paid to a district imposing, or retailer
26 liable for a transactions tax pursuant to Part 1.6 of Division 2 of the Revenue and Taxation
27 Code with respect to the sale to the person of the property the storage, use or other
28 consumptions of which is subject to the use tax.

1 **34.6.12 - AMENDMENTS TO REVENUE AND TAXATION CODE.**

2 All amendments subsequent to the effective date of this Ordinance to Part 1 of Division
3 2 of the Revenue and Taxation Code relating to sales and use taxes and which are not
4 inconsistent with Part 1.6 and Part 1.7 of Division 2 of the Revenue and Taxation Code, and all
5 amendments to Part 1.6 and Part 1.7 of Division 2 of the Revenue and Taxation Code, shall
6 automatically become a part of this Ordinance, provided however, that no such amendment
7 shall operate so as to affect the rate of tax imposed by this Ordinance.

8 **34.6.13 - ENJOINING COLLECTION FORBIDDEN.**

9 No injunction or writ of mandate or other legal or equitable process shall issue in any
10 suit, action or proceeding in any court against the State or the City, or against any officer of the
11 State or the City, to prevent or enjoin the collection under this Ordinance, or Part 1.6 of
12 Division 2 of the Revenue and Taxation Code, of any tax or any amount of tax required to be
13 collected.

14 **34.6.14 - AMENDMENTS BY CITY COUNCIL.**

15 The following amendments to this Ordinance must be approved by the voters of the City:
16 increasing the tax rate; revising the methodology for calculating the tax, such that a tax increase
17 would result; imposing the tax on transactions and uses not previously subject to the tax (unless
18 such amendment occurs automatically by operation of law); or extending the term of the tax.
19 The City Council may otherwise amend this Ordinance without submitting the amendment to
20 the voters for approval.

21 **34.6.15 - USE OF PROCEEDS.**

22 The proceeds from the tax imposed by this Ordinance shall be for unrestricted general
23 revenue purposes of the City and shall be received into the general fund of the City. Nothing in
24 this Ordinance shall constitute the tax imposed under this Ordinance as a special tax, or bind the
25 City to use the proceeds for any specific purpose or function; the City Council shall retain
26 discretion to expend the proceeds of the tax for any lawful purpose of the City.

27 ///

28 ///

1 **34.6.16 - CITIZENS' OVERSIGHT AND ACCOUNTABILITY.**

2 In order to provide for citizens' oversight, transparency and accountability in connection
3 with expenditures of tax revenues generated under the terms of this Ordinance, the City shall do
4 the following:

5 A. Separate Fund Accounting. All revenue generated by the tax shall be
6 accounted in the General Fund as a separate line item entitled "Local Sales and Use Tax –
7 Measure 'X' Revenues." These revenues will then be transferred to a General Fund subfund
8 entitled "Measure 'X' Fund." Any and all expenditures of Measure 'X' Fund monies will be
9 tracked and accounted for by City Finance Services Department staff in accordance with
10 Generally Accepted Accounting Principles (GAAP), and presented annually in a report (the
11 "Financial Services Department Report") to the Citizens' Oversight Committee ("COC")
12 created pursuant to subdivision D. below.

13 B. Initial and Annual Submittal of Measure X Spending Plan. If Measure 'X'
14 is approved by the voters, the City Manager shall, prior to City Council consideration of the
15 City's annual budget, prepare and present to the COC for its review a spending plan for
16 Measure 'X' Fund revenues. It is the intent that the Measure 'X' funds be used to improve
17 infrastructure and the delivery of public safety services and the plan (the "Measure 'X'
18 Spending Plan") shall reflect these priorities and include specific proposals for near term
19 expenditures as well as a plan for expenditures throughout the seven (7) year term of the tax,
20 and finance options for larger-scale projects that may require the pledge of Measure 'X'
21 revenues. After review and recommendation by the COC, the Measure 'X' Spending Plan shall
22 be presented to the City Council for its consideration and final decision, in its discretion, as part
23 of the City's annual budget process. The City Council must consider for approval the
24 expenditure of projected Measure 'X' Fund revenues as a separate line item category in each
25 year's budget.

26 C. Annual Independent Audit. Beginning with the fiscal year that ends June
27 30, 2019, the City's independent auditors shall, as part of their annual audit of the City's
28 statements, review the collection and expenditure of revenue from the Measure 'X' tax. Along

1 with the City's Finance Department report provided in subsection A., above, the auditors'
2 review of such revenues ("Auditor Report") shall be presented each year to the COC at a public
3 meeting for its review for compliance with the terms of this Ordinance. The results of the COC
4 review shall then be transmitted through the City Manager's Office to the City Council for its
5 consideration at a public meeting.

6 D. Citizens' Oversight Committee. Prior to the Operative Date, the City
7 Council shall create and convene a Citizens' Oversight Committee ("COC"). The function of
8 the COC shall be to review and report on City compliance with the terms of this Ordinance and
9 the Measure X Spending Plan presented and approved by the City Council thereafter. Specific
10 COC responsibilities shall include: (1) public review and comment on each year's Finance
11 Department Report, Measure 'X' Spending Plan and Auditor Report (as provided in subsections
12 A-C, above); (2) preparation of an annual report regarding compliance with the City Council
13 adopted Measure "X" Spending Plan for presentation to the City Council at a public meeting;
14 (3) working with City staff to identify and apply "best practices" for tracking and reporting on
15 Measure 'X' revenues and expenditures relative to other City revenues and expenditures; and
16 (4) make a finding prior to renewal of the tax measure that, in the absence of extenuating
17 economic conditions, funds have been expended on improved infrastructure and improved
18 public safety services consistent with the intent of the measure. Current elected City officials
19 and employees are disqualified from membership. COC members shall be appointed by the City
20 Council in accordance with existing City policies and will include individuals with a range of
21 expertise, including accounting, finance and engineering. The COC shall operate in accordance
22 with the Ralph M. Brown Act, which includes requirements that meetings be noticed in advance
23 and held in public. The COC shall be created by City Council ordinance consistent with the
24 terms of this Section adopted no later than April 30, 2019.

25 **3.6.17 - SEVERABILITY.**

26 If any provision of this Ordinance or the application thereof to any person or
27 circumstances is held invalid, such invalidity shall not affect other provisions or applications of
28 the Ordinance which can be given effect without the invalid provision or application, and to this

1 end the provisions of this Ordinance are severable. This City Council hereby declares that it
2 would have adopted this Ordinance irrespective of the invalidity of any particular portion
3 thereof and intends that the invalid portions should be severed and the balance of the Ordinance
4 be enforced.

5 SECTION 2: The City Clerk shall be authorized to replace the terms "Measure X"
6 wherever they appear in this Ordinance with the respective ballot designations determined by
7 the County Registrar before this Ordinance is codified.

8 SECTION 3: This Ordinance shall take effect immediately, upon approval by a simple
9 majority of the voters voting on the question at the November 6, 2018 election.

10 INTRODUCED at a regular meeting of the City Council of the City of Oceanside,
11 California, held on the ___ day of _____, 2018, and, thereafter,

12 PASSED AND ADOPTED at a regular meeting of the City Council of the City of
13 Oceanside California, held on the ___ day of _____, 2018, by the following vote:

- 14 AYES:
- 15 NAYS:
- 16 ABSENT:
- 17 ABSTAIN:

18 MAYOR OF THE CITY OF OCEANSIDE

19
20 ATTEST:

APPROVED AS TO FORM:

21
22 _____
23 CITY CLERK

24
25 
26 _____
27 CITY ATTORNEY

28
AN ORDINANCE OF THE CITY OF OCEANSIDE ADDING CHAPTER 34, ARTICLE II,
SECTIONS 34.6.1 THROUGH 34.6.17 TO THE OCEANSIDE CITY CODE TO ESTABLISH A
TEMPORARY ONE-HALF CENT GENERAL TRANSACTIONS AND USE TAX TO BE
ADMINISTERED BY THE CALIFORNIA TAX AND FEE ADMINISTRATION INCLUDING
PROVISIONS FOR CITIZENS' OVERSIGHT AND ACCOUNTABILITY

RESOLUTION NO.

1
2
3 A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
4 OCEANSIDE, CALIFORNIA, CALLING FOR THE HOLDING OF
5 A GENERAL MUNICIPAL ELECTION ON TUESDAY,
6 NOVEMBER 6, 2018, FOR THE SUBMISSION OF A PROPOSED
7 ORDINANCE FOR A TEMPORARY ONE-HALF CENT
8 GENERAL TRANSACTIONS AND USE (SALES) TAX
9 INCREASE; CONSOLIDATING THE ELECTION WITH THE
10 STATEWIDE ELECTION, REQUESTING THE BOARD OF
11 SUPERVISORS OF THE COUNTY OF SAN DIEGO TO PERMIT
12 THE REGISTRAR OF VOTERS TO CONDUCT THE ELECTION;
13 AUTHORIZING THE MAYOR AND DESIGNATED COUNCIL
14 MEMBERS TO SUBMIT BALLOT ARGUMENTS IN FAVOR OF
15 THE MEASURE; AND DIRECTING THE CITY ATTORNEY TO
16 PREPARE AN IMPARTIAL ANALYSIS

17 WHEREAS, the City of Oceanside may impose a local transactions and use tax increase
18 for general governmental purposes with the approval of the majority of voters in the City; and

19 WHEREAS, the City Council of the City of Oceanside has adopted an ordinance adding
20 Chapter 34, Article II, sections 34.6.1 through 34.6.17 to the Oceanside City Code to establish a
21 temporary one-half cent general transactions and use (sales) tax to be administered by the
22 California Department of Tax and Fee Administration including provisions for citizen's
23 oversight and accountability ("the Ordinance"); and

24 WHEREAS, the Ordinance attached hereto as Exhibit A and incorporated herein by
25 reference would implement the sales tax which, if approved by the voters would take effect no
26 earlier than April 1, 2019.

27 WHEREAS, the City Council is authorized by statute to submit the proposed ordinance
28 to the voters;

WHEREAS, the City Council of the City of Oceanside has called a General Municipal
Election to be held in the City of Oceanside, California, on Tuesday, November 6, 2018; and

WHEREAS, it is desirable that the General Municipal Election be consolidated with the
Statewide General Election to be held on the same date; that the City precincts, polling places and
election officers of the two elections be the same; that the Registrar of Voters canvass the returns

1 of the General Municipal Election; and that the election be held in all respects as if there were only
2 one election.

3 NOW, THEREFORE, the City Council of the City of Oceanside DOES RESOLVE as follows:

4 SECTION 1. That pursuant to the requirements of the laws of the State of California
5 relating to charter cities, there is called and ordered to be held in the City of Oceanside,
6 California, on Tuesday, November 6, 2018, a General Municipal Election for the purpose of
7 submitting the following proposed ordinance imposing a general transactions and use (sales)
8 tax to the qualified electors of the City of Oceanside:

To provide funding to maintain and improve general city services including: police patrols, crime, drug, and gang prevention, fire, paramedic and 9-1-1 response, pothole repair, street maintenance, improved infrastructure, maintain safe, clean parks and beaches, and address homelessness, shall the City of Oceanside	YES
establish a sales tax of one-half of one percent (0.5%) for 7 years, providing an estimated 11 million dollars annually for general city services, requiring citizen oversight, independent audits, and all funds controlled locally?	NO

9
10
11
12
13
14
15
16
17
18
19
20
21 SECTION 2. That the text of the ordinance submitted to the voters is attached as Exhibit

22 A.

23 SECTION 3. That the vote requirement for the measure to pass is a majority (50%+1) of
24 the votes cast.

25 SECTION 4. That the ballots to be used at the election shall be in form and content as
26 required by law.

27 SECTION 5. That the San Diego County Registrar of Voters is authorized, instructed
28 and directed to procure and furnish any and all official ballots, notices, printed matter and all supplies, equipment and paraphernalia that may be necessary in order to properly and lawfully

1 conduct the consolidated election.

2 SECTION 6. That the polls shall be open at seven o'clock a.m. of the day of the election
3 and shall remain open continuously from that time until eight o'clock p.m. of the same day
4 when the polls shall be closed, pursuant to Election Code § 10242, except as provided in
5 § 14401 of the Elections Code of the State of California.

6 SECTION 7. That pursuant to the provisions of Section 10403 of the Elections Code of the
7 State of California, the Board of Supervisors of San Diego County is hereby requested to consent
8 and agree to the consolidation of the General Municipal Election with the Statewide General
9 Election on Tuesday, November 6, 2018, for the purpose of the ballot measure authorized by the
10 City Council.

11 SECTION 8. That the election shall be held in all respects as if there were only one
12 election and only one form of ballot shall be used, and that the Registrar of Voters is authorized to
13 canvass the returns of the General Municipal Election at the proper time.

14 SECTION 9. That the Board of Supervisors is requested to issue instructions to the
15 Registrar of Voters to take any and all steps necessary for the holding of the consolidated election.

16 SECTION 10 .That the City of Oceanside recognizes that additional costs will be incurred
17 by the County by reason of this consolidation and agrees to reimburse the County for its
18 reasonable share of these costs, upon a proper invoice.

19 SECTION 11. That the City of Oceanside agrees to indemnify and save free and harmless
20 the County, its officers, agents and employees from expense or liability, including reasonable
21 attorneys' fees, as a result of an election contest arising after conduct of this election.

22 SECTION 12. That the City Clerk is hereby directed to file a certified copy of this
23 resolution with the Board of Supervisors and the Registrar of Voters of San Diego County

24 SECTION 13. That in all particulars not recited in this resolution, the election shall be
25 held and conducted as provided by law for holding municipal elections.

26 SECTION 14. That notice of the time and place of holding the election is given and the
27 City Clerk is authorized, instructed and directed to give further or additional notice of the
28 election, in time, form and manner as required by law.

1 SECTION 15. Pursuant to Elections Code section 9282(b), the City Council authorizes
2 the Mayor to submit a written argument, not to exceed 300 words in favor of the measure on
3 behalf of the City Council. Arguments must be submitted to the City Clerk and may be changed
4 until and including the date fixed by the Clerk by 5:00p.m. after which no arguments for or
5 against the measure may be submitted, withdrawn or changed.

6 The arguments shall be filed with the City Clerk, signed, with the printed name(s) and
7 signature(s) of the author(s) submitting it, or if submitted on behalf of an organization, the
8 name of the organization, and the printed name and signature of at least one of its principal
9 officers who is the author of the argument. The arguments shall be accompanied by the Form
10 of Statement To Be Filed By Author(s) of Argument supplied by the City Clerk.

11 SECTION 16. That pursuant to Section 9285 of the Elections Code of the State of
12 California, when the elections official has selected the arguments for and against the measure,
13 which will be printed and distributed to the voters, the Elections Official shall send a copy of an
14 argument in favor of the proposition to the authors of any argument against the measure and a
15 copy of an argument against the measure to the authors of any argument in favor of the measure
16 immediately upon receiving the arguments.

17 The author or a majority of the authors of an argument relating to a city measure may
18 prepare and submit a rebuttal argument not exceeding 250 words or may authorize in writing
19 any other person or persons to prepare, submit, or sign the rebuttal argument.

20 A rebuttal argument may not be signed by more than five individuals.

21 The rebuttal arguments shall be filed with the City Clerk, signed, with the printed
22 name(s) and signature(s) of the author(s) submitting it, or if submitted on behalf of an
23 organization, the name of the organization, and the printed name and signature of at least one of
24 its principal officers, not more than 10 days after the final date for filing direct arguments. The
25 rebuttal arguments shall be accompanied by the Form of Statement To Be Filed By Author(s)
26 of Argument as supplied by the City Clerk.

27 Rebuttal arguments shall be printed in the same manner as the direct arguments. Each
28 rebuttal argument shall immediately follow the direct argument which it seeks to rebut.

SECTION 17. That the City Council directs the City Clerk to transmit a copy of the

1 measure to the City Attorney. Pursuant to California Elections Code Section 9280, the City
2 Attorney shall prepare an impartial analysis of the measure not exceeding 500 words showing
3 the effect of the measure on the existing law and the operation of the measure

4 PASSED AND ADOPTED by the City Council of the City of Oceanside, California,
5 this _____ day of _____, 2018, by the following vote:

6 AYES:

7 NAYS:

8 ABSENT:

9 ABSTAIN:

10
11
12 APPROVED AS TO FORM:

13
14 
15 _____
16 CITY ATTORNEY

MAYOR OF THE CITY OF OCEANSIDE

ATTEST:

17
18
19
20
21
22
23
24
25
26
27
28 _____
CITY CLERK



CITY OF OCEANSIDE BACKGROUND INFORMATION

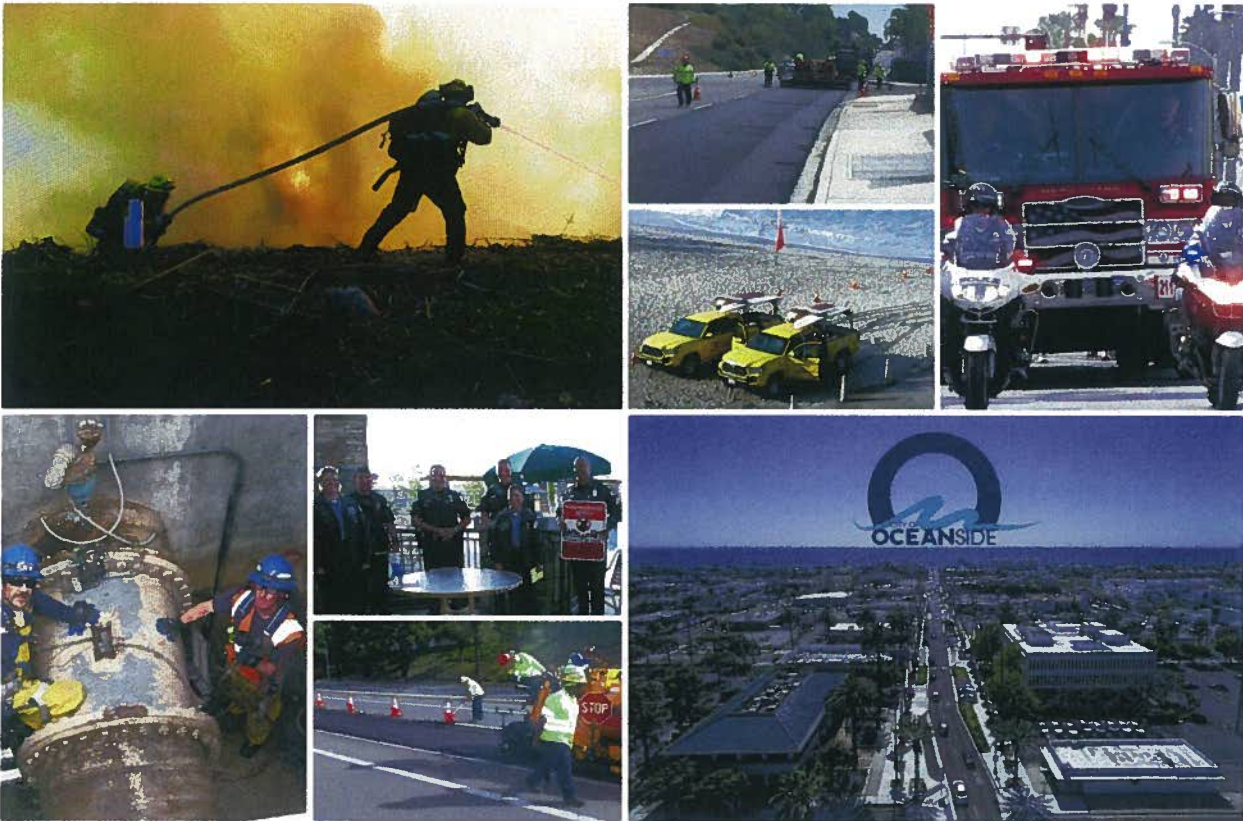


Table of Contents

Introduction	3
City Council Strategic Goals.....	3
Public Safety	4
Public Services and Facilities	7
Loss of Redevelopment Agency.....	13
Employee Reductions	15
Budgeting.....	17
Revenues	18
Expenditures	20
2018 General Election Proposed Tax Measure	21
Quick Facts.....	27
Frequently Asked Questions	31

OCEANSIDE

The City of Oceanside is a full-service city. We provide our own police and fire safety, library, water and sewer services. In addition, the City has a municipal airport, a beautiful small craft harbor, one of the longest wooden piers on the west coast, golf courses, swimming pools, numerous parks, community centers, and extensive palm-lined beaches. Oceanside offers exciting hands-on recreational opportunities such as museums, bike trails, whale-watching tours, skydiving, fine dining, and so much more. Oceanside enjoys one of the most desirable climates in the country, with sunshine and coastal breezes nearly every day.

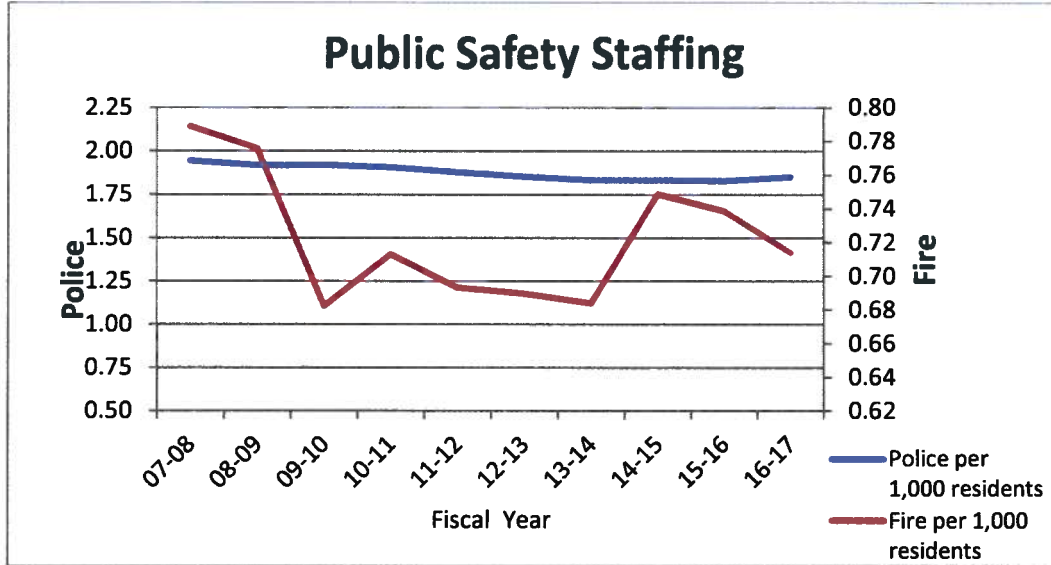
Oceanside has a highly rated livability factor with an advantageous coastal locale, a thriving downtown scene, easy access to San Diego and Los Angeles, plenty of open space, miles of beautiful beaches, unique architecture and historic buildings, and an efficient transportation hub. The City is conveniently located between four major airports. Oceanside's economy is robust with the unemployment rate is currently at 3.6 percent (Employment Development Department, March 2017). The "beachy" culture, lively neighborhoods, historic architecture, wonderful people, art and live theatre, and the many new dining options make Oceanside an attractive place to live, work, play and stay.

CITY COUNCIL STRATEGIC GOALS

- 1. Maintain fiscally sustainable policies that support core services.**
- 2. Encourage sensitive infill to maximize existing infrastructure.**
- 3. Build partnerships with public/private entities for job creation and economic growth.**
- 4. Improve quality of life, safeguard environmental resources, and provide cultural and recreational opportunities.**
- 5. Encourage citizen and neighborhood involvement to develop a shared sense of community.**

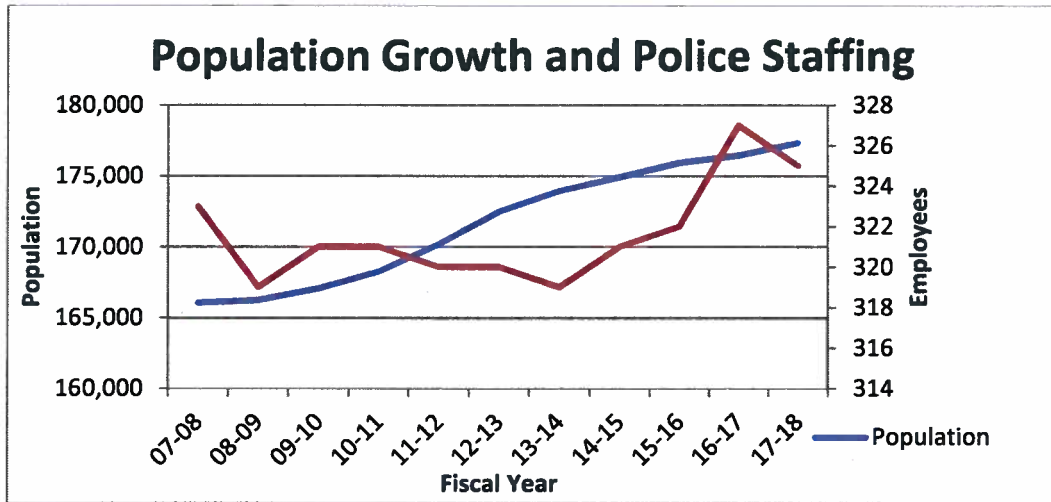
PUBLIC SAFETY

Public safety is a top priority of the City and accounts for 61% of Oceanside’s general fund expenditures.



POLICE

Oceanside’s Police Department includes 225 sworn positions, three police recruits, and 83 professional staff including crime prevention, dispatch, and records, and one grant-funded cadet, for a total of 312 police employees. Police calls for service have increased by 5.5 percent over the past five years while staffing has remained constant at 1.85 budgeted police positions per 1,000 residents which is down from 1.95 ten years ago.



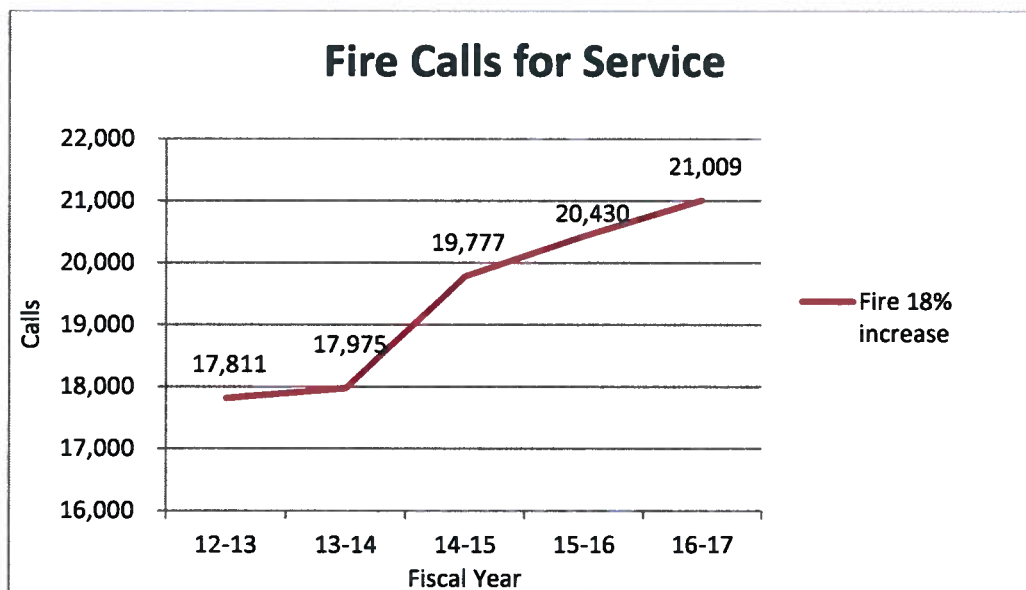
Increasing calls for service are resulting in longer response times:

- Priority 1 calls up 30 seconds in last 5 years
- Priority 2 calls up 1 minute 44 seconds in last 5 years
- Priority 3 calls up 3 minutes 26 seconds in last 5 years

In 2015, *Governing Magazine* analyzed FBI data for cities of populations exceeding 50,000 to determine the average numbers of police personnel per capita. For cities with 100,000 to 200,000 population, the average total police personnel was 21.0 per 10,000 population. Using this ratio and Oceanside's current population of 176,461, Oceanside would need 369 police personnel (sworn and unsworn) to meet this average staffing level. However, Oceanside falls short by 57 employees (84% of average).

FIRE

The Oceanside Fire Department provides fire protection, emergency paramedic/ambulance and lifeguard services to the citizens of Oceanside. Fire and Paramedic calls for service have increased by 18 percent over the past five years. In terms of comparisons with our neighboring agencies, Oceanside ranks near the bottom in all of the areas evaluated. The specific areas and rankings are described below:



Oceanside ranks 8th out of the 10 fire agencies in North San Diego County in terms of per capita spending on fire and ambulance services. Oceanside spends \$161 per year for each resident on fire and ambulance services. This is 84% below the \$296 per person average for all of the 10 north San Diego County fire agencies.

In terms of available fire protection resources, Oceanside ranks 9th out of the 10 North San Diego county fire agencies when the number of staffed engines and ladder trucks in relation to the population served is analyzed. Each of Oceanside's eight engines and ladder trucks serve 22,058 residents, 65% above the North San Diego County fire agency average of 13,354 residents per engine or ladder truck.

Oceanside ranks 8th out of the 10 fire agencies in North San Diego County in terms of the number of residents served by each fire station. Oceanside's eight fire stations serve an average of 22,058 residents, 48% above the North San Diego County fire agency average of 14,888 residents per fire station.

Oceanside ranks last out of the 10 fire agencies in North San Diego County in terms of the number of firefighters and firefighter-paramedics on duty each day in relation to the population served. Each one of the 35 firefighters and firefighter-paramedics on duty each day in Oceanside are responsible for serving 5,042 residents, 53% more residents than the average of 3,297 residents per firefighter for all 10 of the North San Diego County fire agencies. Even more telling is that four of the nine North San Diego county agencies ranked above Oceanside do not even provide ambulance services. Those four agencies all use contracted ambulance services. If you included the contracted non-firefighter paramedics into the daily staffing calculations, Oceanside would be even further below the average.

Oceanside ranks 5th out of the six North San Diego County fire agencies that provide paramedic ambulance service in terms of the number of residents served by each ambulance. Each ambulance in Oceanside serves an average of 35,292 residents, 31% more residents than the average of 27,019 residents per ambulance served in all of the six fire agencies.

Beach-going is no longer a seasonal event. Oceanside beaches draw sunbathers, surfers, and other watersport enthusiasts year round. It is estimated that nearly 5 million people visited Oceanside beaches in 2017. The 3.7 miles of beach in the City of Oceanside are guarded by seven full-time and 82 part-time lifeguards. Oceanside Lifeguards averaged 714 rescues per mile of beach over the past five years compared to 228 – 432 rescues per mile of beach in other San Diego County coastal cities (excluding State Park beaches). Major medical calls at Oceanside beaches have consistently increased from less than 200 in 2012 to nearly 500 in 2016.

PUBLIC SERVICES AND FACILITIES

Oceanside provides a wide range of services and facilities to serve its residents. Some of Oceanside's unique public amenities include our beaches, pier and harbor. Oceanside's 3.5 miles of beaches are owned by the City of Oceanside unlike neighboring cities which have State beaches. While the beaches and pier are a great attraction, the City is responsible for operating them including trash removal, lifeguards, cleaning, maintenance and sand replenishment. This is a unique cost for Oceanside compared to inland cities or those that have State maintained facilities.

The City has 480 miles of public streets; 8,546 street lights; one police station; eight fire stations manned by six engine companies, two truck/rescue companies and five ambulances; 33 parks encompassing 834 acres, two pools, four recreation centers, two senior centers, and two golf courses; and two libraries.

In the last ten years, the City has added 14.7 miles of public roads, 30 miles of new concrete, almost 11 miles of new drainage systems, 3.15 miles of bike trails, and responsibility for 5.5 miles of annual mowing in the San Luis Rey River. City crews must inspect and maintain these facilities and provide graffiti abatement on all public property. Responsibility for these additional facilities was added to Public Works without any corresponding funding. Consequently, the City needs additional funding in order to adequately maintain new and existing infrastructure.

In addition, State and Federal regulatory mandates are increasing costs for compliance. For example, recent State Water Resources Control Board regulations mandate additional measures to keep trash out of drainage areas, requiring installation of additional filter devices in storm drains. Compliance with this mandate will require capital costs of \$2.5M over the next ten years, and will increase maintenance costs by almost \$500,000 annually upon full implementation.

Another example of an unavoidable cost increase stemming from the State are the permits that the State requires the City to maintain to monitor the City's closed landfills. The permit fees have increased fivefold in the last ten years, from \$30,000 to \$150,000, with no change in the level of State oversight.

STREETS

In 2015 the City hired a consultant to evaluate the City's entire street network and rank the condition of every street between major intersections. A score called a Pavement Condition

Index (PCI) of 0-100 was assigned to every street segment, ranging from 0 being completely destroyed to 100 being freshly paved. The City’s overall average PCI in 2015 was 60. In order to maintain this PCI, the City should be investing \$7.5M annually in street maintenance including slurry seal, asphalt overlay and reconstruction. The City has been unable to provide this level of funding and as a result, the average PCI is declining. For the current fiscal year the City is receiving an additional \$1M from the new gas tax which will allow the City to invest \$7.5M. However, in order to improve the PCI to a score of 75, at least \$2.5M in additional funding is needed annually. A PCI score of 75 would indicate that City’s streets are in very good condition.

Pavement Condition Index (PCI) Classification					
Category:	Very Poor	Poor	Fair	Very Good	Excellent
PCI Range:	0 - 24	25 - 49	50 - 69	70 - 79	90 - 100

In addition to maintenance of existing streets, a number of street expansion projects are needed including but not limited to:

- Widen College from Old Grove to Olive
- Widen El Camino Real bridge over SR 78
- Widen College Avenue bridge over the San Luis Rey River
- Widen El Camino Real between Oceanside Blvd. and Mesa Drive
- Neighborhood traffic calming projects
- Widen SR 76 from four to six lanes
- Mission Avenue widening from Rancho del Oro to Old Grove Road
- Mission Avenue median improvements
- Canyon Drive improvements
- El Corazon access road
- Roundabouts at Frazee/Old Grove and Mesa/Barnwell
- Coast Highway Improvements
- Safety bollards for downtown markets/special events

INFRASTRUCTURE AND FACILITY MAINTENANCE

Work orders and calls for service have increased substantially in the last five years while funding has remained flat. This includes maintenance and operation activities such as graffiti and litter abatement, sidewalk and concrete repairs, storm drain cleaning, street maintenance and traffic signal repairs, tree trimming and removal, restroom cleaning, pressure washing and electrical repairs. In the past ten years, the City has added 36 signalized intersections, 25 miles of fiber optic cable, 38 closed circuit television cameras to monitor traffic flow, 22 radar feedback signs, 18 flashing beacons, 14 blue toad devices and 80 bike racks with no additional maintenance funding. Additionally, aging facilities such as the pier, fire stations, libraries, police station, resource centers, beach restrooms, lifeguard towers, parks, community centers and the Civic Center require ongoing maintenance and repair and periodic renovation of which limited funding is available. The concrete portion of the pier is over 90 years old and doesn't comply with current seismic standards. The wooden portion of the pier is over 30 years old and needs ongoing pipe bracing, decking and hand rail replacement as well as electrical and water line upgrades. The Civic Center complex needs roofing and chiller upgrades.

Additionally, the City has traditionally paid for storm drain projects with money collected from developers when projects are built. Now that Oceanside is a "mature" city, there are many old, metal storm drains that have reached the end of their useful lives and are starting to fail. Fees from developers cannot keep pace with the increasing needs of an aging system, and pipe failures require immediate action. For example, recently an old metal pipe crossing underneath North Santa Fe Avenue failed, causing a sink hole and requiring immediate action. The money for this repair will have to come from money budgeted for street repairs.

BEACHES

Oceanside faces ongoing loss of sand from the City's beaches. The City needs \$1M in funding as an initial local match so the Army Corps of Engineers can complete their Shoreline Study which will identify long term solutions to keep sand on our beaches. Additional funding will likely be needed to implement the recommendations of the study. Additionally, funding is needed to construct beachfront improvements including:

- New restrooms,
- Beach access (stairways)
- Additional lifeguard towers
- Beach erosion and sand replenishment
- Reconstruction of the Beach Amphitheater
- New Lifeguard facility
- Pier safety improvements and/or replacement

- The Strand improvements (seawall, roadway)
- Remodel Jr. Seau Beach Community Center

OTHER INFRASTRUCTURE IMPROVEMENTS

In addition to ongoing infrastructure and facility maintenance, staff has identified a number of capital improvement projects which would enhance the quality of life for Oceanside residents and would facilitate improved service to the public. These projects include, in no particular order:

- Fire Facilities such as:
 - Replacement of Fire Station 1 along with an Emergency Operations Center (EOC)
 - Remodel Fire Stations 3 & 4
 - New Fire Stations 8 (currently in a leased building) and 9 (northeast part of town)
 - Fire training tower
 - New Lifeguard Facility
 - Permanent Fire Training Facility Offices
- Permanent Police Headquarters
- Parks and Recreation facilities
 - Shade structures at all playgrounds and new playground improvements including equipment, surfacing and ADA improvements
 - Repairs to Heritage Park and Americanization School
 - Remodel Jr. Seau Community Center
 - Resource Center Improvements
 - Rehabilitation of existing swimming pools
 - Construction of El Corazon Aquatic Complex
- Branch library at El Corazon
- Deferred maintenance for City facilities such as:
 - Civic Center roofs and chiller unit
 - Melba Bishop Recreation Center chiller unit and upgrades
 - OTC Parking Structure Repairs
 - City Operations Center – Fuel Dock Steel Structure repairs
- Coastal Rail Trail
- Sprinter Rail Trail
- Gateway Improvements/Beautification
- Façade Improvement Program
- Airport runway, taxiway and apron improvements (local match for Federal grants)
- Municipal Golf Course irrigation improvements and new/renovated clubhouse
- The Strand safety improvements
- Smart Infrastructure (fiber optic, cable, cameras and sensors)
- Oceanside Blvd. Vision Plan

HOMELESS SERVICES

Many factors have coalesced to increase the incidences of homelessness in San Diego County over the past several years, including:

- The cost of rental housing has increased dramatically since 2012, while the median household income has remained relatively stagnant
- Low vacancy rates for housing in Oceanside, resulting in Housing Choice (Section 8) voucher holders' inability to find affordable rental units that accept vouchers
- Overall lack of affordable housing throughout Southern California
- Long waiting list for subsidized housing (current openings are going to veteran households who applied prior to 2011, and non veteran households who applied prior to April 2010)
- State law changes, such as AB 109, Proposition 47 and 57 have resulted in more people living with mental illnesses, criminal histories, and substance abuse disorders in the community without plans for housing.

Homelessness is a County and Statewide challenge; no city is immune and the Federal, State and County governments need to increase their commitment to local jurisdictions (cities) that can't possibly "solve" the homeless issue on their own. However, the City of Oceanside is rising to meet the challenge. The City partners with nonprofits to provide a comprehensive approach to addressing homelessness with a focus on outreach, providing access to services, support for shelters and affordable housing, and enforcement through public safety and code enforcement.

Homeless Outreach Team. The City funds a Homeless Outreach Team (HOT) within the Police Department which provides real time services and engagement for individuals and families living on the street. The HOT operates throughout Oceanside, as well as holding standing office hours for walk-ins. The City recently expanded the HOT's capacity to better connect those experiencing homelessness with available resources by adding a social worker to accompany the HOT. The social service worker assists the homeless in service navigation as well as enrolling in health benefit programs and CalFresh programs (food stamps). San Diego County Health and Human Services Nurses have also recently assisted in the field weekly in administering Hepatitis A vaccinations. To complement the HOT efforts, the City frequently partners with Psychiatric Emergency Response Teams (PERT) to discuss best practices to address common clients. Members of the Neighborhood Policing Team have specialized training in Crime Prevention through Environmental Design (CPTED). Members of the community can take advantage of an Oceanside Police Department CPTED analysis, where suggestions are provided to reduce the likelihood of crime taking place at businesses and

residences. Lighting type, vegetation, fencing, and access to water and power all play a role in whether a location is more or less susceptible to crime.

Shelter Services. The City's Neighborhood Services Department works with and helps fund the Alliance for Regional Solutions, a coalition of nine cities and more than 50 non-profit service providers and funders. The Alliance was first assembled to develop a winter homeless shelter system. This was accomplished 11 years ago, and is now evolving into a "Bridge to Housing" program to move chronically homeless individuals and families into permanent housing. The Alliance has taken the lead in North County to implement the Coordinated Entry System, a centralized data system used by agencies to ensure that services are being coordinated in order to maximize resources and alleviate duplication of homeless services. Oceanside also participates in a winter shelter program and partners with local non-profits and churches to create temporary beds during inclement weather. There is much more to be done in this area. The City will continue to be engaged in discussing efforts to expand shelter options for homeless residents.

Code Enforcement. The Code Enforcement Division works in concert with the Police Department, Housing, and City Manager's Office to address illegal homeless encampments throughout the community. Community members can call Oceanside Customer Care at 760-435-4500 or use the free "My Oceanside" app to seamlessly route issues to City departments for handling. Displaced homeless individuals are counseled by social workers who attempt to meet their needs, including appropriate referral for mental health, sobering in-services and shelters.

LOSS OF REDEVELOPMENT AGENCY

Oceanside's Redevelopment Agency (RDA) was created in 1975 in a blighted industrial area near the beach, filled with meat packing plants, ice plants, fueling stations and a railroad switching yard. The vision was to remove the blighted industrial and create a vibrant downtown. The Agency covered a small area, 375 acres (.6 square mile) out of a 42 square mile City (.02%).

In the 1970's after the Agency was created, the railroad switching yard relocation began. In the 1980's, the Agency acquired property that formerly housed businesses such as adult theaters and empty rundown commercial buildings to make way for the new Civic Center Complex. The Library opened to the public in December 1989 and the City administrative buildings in March 1990. In the 1990's new residential, including smart growth row homes, were built. In the 2000's, smart growth vertical mixed use buildings were constructed.

From 2004 to 2009 an additional 413 residential units, approximately 26,000 sq. ft. of commercial-retail, over 10,000 sq. ft. of office, 136 timeshares, and 300 hotel rooms, were built. These projects have generated over 700 jobs and over \$700,000 in Transient Occupancy Tax for the General Fund. In FY 2010-11 the Redevelopment Agency provided \$2.2M in 20% Set-Aside for Affordable Housing.

In 2011, Governor Brown proposed and the State Legislature approved elimination of Redevelopment agencies statewide. Prior to its elimination, Oceanside's Redevelopment Agency provided over \$11M annually with 20% (\$2.2M) set aside for affordable housing, 16% funding for schools and other public agencies and the remainder funding public improvements in the City of Oceanside. It is estimated that the elimination of redevelopment resulted in a loss to Oceanside of \$65M in public improvement funds and \$34M in affordable housing funds over the remaining life of Oceanside's redevelopment agency.

The elimination of Redevelopment also caused a delay and restructuring of financing for the Beach Hotel Project, a project which was identified in the initial redevelopment plan objectives in 1975.

The Beach Hotel Project consists of a 226-room full-service resort hotel on the South Block to be operated by Two Roads as a 4-star Destination Resorts property similar to L'Auberge Del Mar and a 160-room boutique hotel on the North Block to be branded as a Joie de Vivre hotel. The Project will also include 21,000 square feet of meeting space, 13,000 square feet of retail/restaurant space, and a 7,000 square feet spa and fitness center. It will be served by 540 parking spaces located in a two-level subterranean garage on the South Block (and under

Mission Avenue) and an one-level subterranean garage on the North Block. After the elimination of redevelopment, the City Council approved sharing of Transient Occupancy Tax generated by the hotel in order to offset costs that would have been funded by the redevelopment agency. The benefits of the hotel include:

- Increasing tourism market share principally through new hotels and to market Oceanside as a tourism destination;
- Creating new quality jobs through business retention and expansion of existing businesses.
- Recruiting and assisting new prospective businesses to the City;
- Assisting new prospective retail stores and restaurants;
- Enhancing the aesthetics of the Downtown district;
- Providing pedestrian connectivity with the surrounding streets; and
- Implementing a development that is consistent with the City's Nine Block Pier Area Master Plan and Local Coastal Program.

RDA FUNDED IMPROVEMENTS

Completed public projects the Agency participated in include:

- Restoration of the Strand and the pier;
- Relocation of railroad switching yards;
- Construction of parking lots;
- Extension of Mission Avenue across the railroad tracks;
- Built underpass under the railroad tracks to get people to the beach;
- Construction of 450 space parking garage in conjunction with North County Transit District;
- Acquired nude bar and transformed it into the California Surf Museum;
- Development of the Oceanside Art Museum.

Completed private projects the Agency has participated in include:

- The San Miguel condominiums at the beach, replacing run down properties;
- The Regal Theatre project wherein the Agency acquired property, conducted a Request for Proposals, sold it at market value, and it is now a mixed use development with a movie theater, retail and condominiums;
- The Pacific Village project wherein the Agency acquired industrial property and sold it for the construction of smart growth row homes.

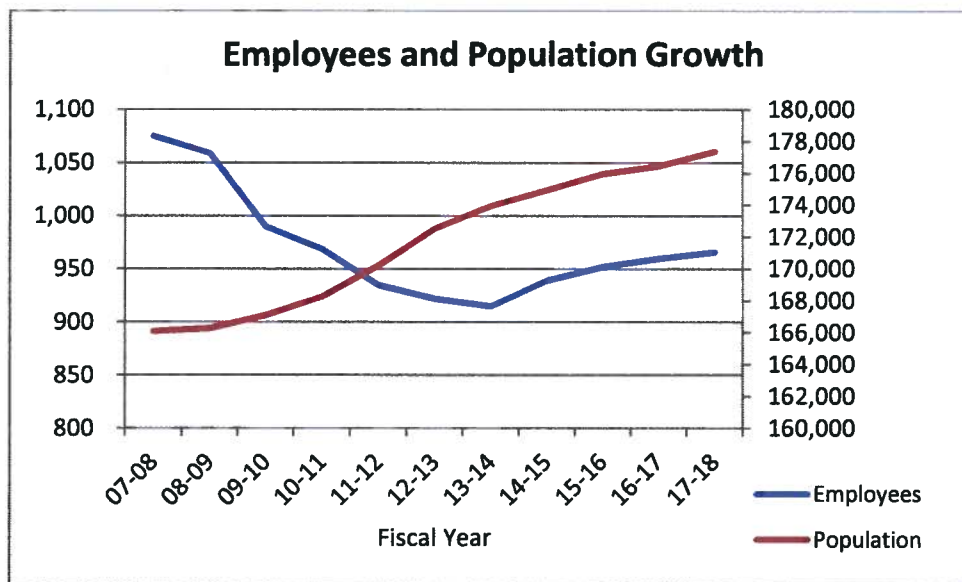
EMPLOYEE REDUCTIONS

REDUCTION OF WORKFORCE

City staffing levels peaked at 1,075 employees in FY 2007-08. With the onset of the Great Recession in 2008, the City began to cut costs including eliminating staff, outsourcing services, restructuring pensions and shifting health care cost increases to employees.

Staffing decreased to a low of 915 budgeted positions in FY 2013-14 and stands at 966 positions for the current budget year (FY 2017-18).

- 11% decrease in staffing levels, per capita decrease from 6.47 employees per 1,000 residents in 2007 to 5.44 employees per 1,000 residents in 2017
- Instituted a modified hiring freeze to contain costs



PENSION REFORM

Oceanside provides defined-benefit pensions to its retirees through the California Public Employees Retirement System (CalPERS). Funding of CalPERS relies on three sources: employee contributions, employer contributions, and investment returns that vary according to the performance of financial markets. CalPERS phases in adjustments to employer contributions due to market swings. The effect of this phasing is to create either a “superfunded” status or an unfunded liability which should be made up in future years.

Oceanside implemented local pension reform in 2011 prior to the enactment of statewide pension reform known as PEPR in 2013. In 2011, Oceanside took the following steps:

- Eliminated payment of the employee share of pensions (known as EPMC); employees now contribute 6.75-12.25% of normal pension costs
- Instituted less generous pension formulas for new hires
- Negotiated through the collective bargaining process so that employees are picking up a greater share of retirement costs

Subsequently, Oceanside has taken a number of steps to reduce the City's pension costs going forward. The City's actions have offset rising annual pension costs by about \$7.5M. Cumulatively, the City has saved approximately \$38.75M from these actions to date.

Poor investment returns by CalPERS, combined with actuarial changes due to retirees living longer and pension formula changes in the early 2000's have resulted in an unfunded pension liability. Oceanside's current unfunded pension liability is \$238M of which \$190.4M is the General Fund portion.

The City has also adopted a policy to direct additional funds from interest earnings to pay down the unfunded liability on an ongoing basis (estimated at \$1M per year).

On February 28, 2018, the City Council established a Section 115 Trust Fund to help offset spikes in employer pension contributions. This type of Trust Fund allows for greater investment returns. Funds contributed to the Trust Fund may only be withdrawn for pension related purposes. The City intends to make an initial investment of \$10M into the Trust Fund.

BUDGETING

Oceanside's General Fund provides for the majority of City services and comprises approximately 33.3% of the total operating appropriations on an all-funds basis. Other funds include Enterprise Funds such as Water, Sewer, Solid Waste and Harbor, Special Revenue, Debt Service, Internal Service and Capital Project funds. The City prepares an annual budget for City Council approval and has adopted budget policies to maintain a balanced budget and cut expenditures when a deficit is forecasted.

Oceanside has adopted a number of financial policies to ensure fiscal stability. Each year the City prepares a Five-Year Forecast of revenues and expenses. The financial forecast takes a forward look at the City of Oceanside's General Fund revenues and expenditures. Its purpose is to identify financial trends, shortfalls, and issues so the City can proactively address them. It does so by projecting out into the future the fiscal results of continuing the City's current service levels and policies, providing a snapshot of what the future will look like as a result of the decisions made in the recent past. It also recaps historical data to indicate the financial status of the past. The Five-Year Forecast is presented to the City Council in January of each year and is used to prepare the budget for the upcoming fiscal year.

The January 2018 Five-Year Forecast shows that the City's revenues have stabilized since the Great Recession and are projected to increase nominally in the next few years. However, employee costs, which constitute 72% of the General Fund budget, are increasing and impacting the City's ability to invest in infrastructure repairs and increase services for the citizens. In particular, employee pension costs are rising faster than operating revenues. The City's pension cost is projected to increase an average of \$2.2M annually in the general fund over the next five years. With employee pension costs rising faster than operating revenues, there is a potential for a structural deficit in future years.

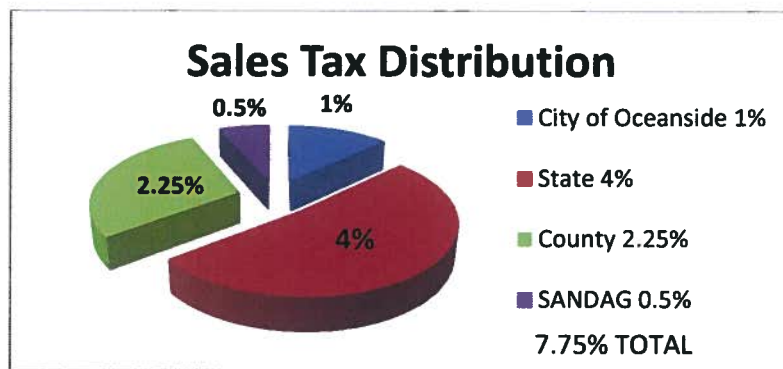
The City has implemented a several pronged plan to help mitigate growing employee costs. Employee bargaining groups are being asked to pay a higher percentage of the total pension costs and the City has capped the City contribution to employee health care. In addition, any one time funds and 50 percent of any annual surplus are being set aside or paid towards the unfunded liability. Furthermore, the City Council recently approved the establishment of a Section 115 IRS Trust that allows the City more investment flexibility. Proceeds are dedicated to ongoing PERS costs and unfunded liability payments.

REVENUES

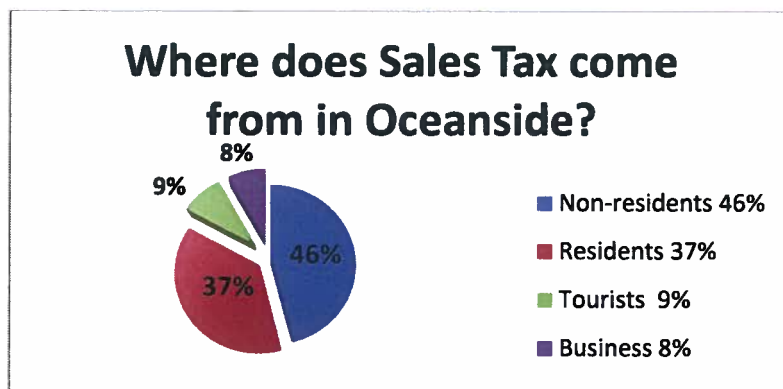
SALES TAX

Sales tax is the second largest source of revenue for Oceanside's General Fund. The average sales tax rate in California is 8.5% as of July 1, 2017. If approved by voters, Oceanside's new 8.25% rate would be less than the average of other California cities. Rates in other area cities include Del Mar, National City and Temecula at 8.75%; La Mesa at 8.5%; and Chula Vista, El Cajon and Vista at 8.25%. Other Coastal cities with local taxes include Long Beach at 10.25%, Santa Monica at 10.25%, Avalon at 10.0% and Santa Barbara at 8.75% effective April 2018.

While the current total sales tax rate in Oceanside is 7.75%, Oceanside only receives 1%. The following chart shows how sales tax is distributed.



Who spends money in Oceanside? The majority (63%) of sales tax revenue comes from non-residents including tourists, businesses and residents of surrounding communities. Oceanside resident spending constitutes about 37% of the total sales tax income. The median household pays \$135 in sales tax annually to the City of Oceanside. If the ½ cent sales tax increase is approved, the median household will pay about \$5.61 month (\$67 annually) in new taxes for the City of Oceanside.



DEVELOPMENT FEES

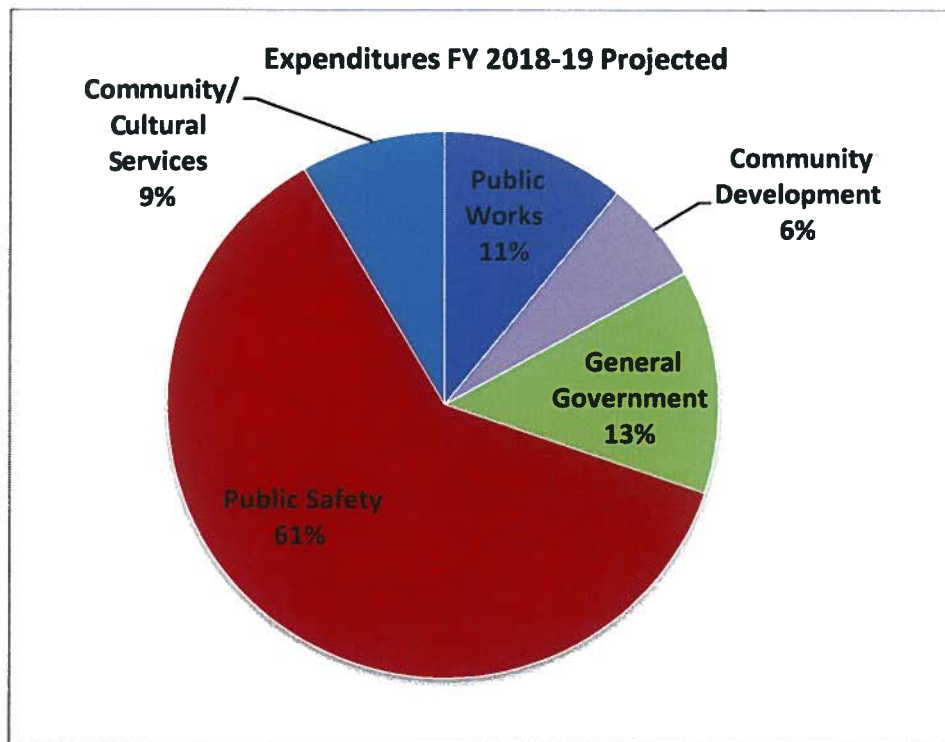
The City has Council-adopted policies to ensure that adequate public facilities and services are provided to serve existing and future residential, commercial and industrial development. This includes striving to manage growth so that current residents are not adversely impacted by new development. Additionally, new development is analyzed to determine the potential impacts, and projects are conditioned to construct improvements and/or pay fees to mitigate the impacts. The City assesses Development Impact Fees on new construction to pay for the improvements and facilities needed to serve new development and to reduce the impacts of new development on the community. These fees must have a nexus (or connection) between the fee and the development project and cannot exceed the cost of providing the service or improvement that the fee pays for. Thus, new development cannot be charged fees to pay for services to existing residents. Additionally, new development can only be assessed its fair share of improvements. For example, if a new road is required to serve a new development, but will also be used by existing residents, the new development is only required to pay for its fair share portion of the costs of the new road as determined by the impact study for the new development.

Development fees also only cover the initial capital costs to install infrastructure, and the City assumes the ongoing maintenance and replacement costs. For example, for a project with public streets, the Developer pays the initial cost to install the streets however the industry standard for street maintenance is to slurry seal every five years. This cost becomes a City responsibility on an ongoing basis.

EXPENDITURES

The General Fund expenditure budget is \$145.2M for FY 2017-18. The budget does not use any one-time money to cover expenditures but is fully funded through actual revenues. However, in order to be fiscally prudent the City has controlled costs by not increasing staffing, imposing a modified hiring restriction to only replace essential positions when existing employees leave, increasing employee contributions for their pension costs, and continuing cost containment measures.

The following charts show the FY 2018-19 projected expenditures. Public Safety is the City's largest general fund expense, comprising 61% of the budget.



The City's biggest expenditure category is personnel, with personnel related costs composing 72% of the General Fund. This is because the City's core service is to deliver services to the community. Pension related costs constitute 22% of General Fund personnel costs.

It should be noted that only about 24% of general fund revenues comes from taxes paid by Oceanside residents yet residents are the primary beneficiaries of the General Fund Expenditures. Businesses and visitors (tourists and non-residents) contribute more to the City in terms of revenue than they receive in services, thus business, non-residents and tourism are funding services for the benefit of residents.

2018 GENERAL ELECTION PROPOSED SALES TAX MEASURE

State Tax Laws and the "Sales and Use" and "Transactions and Use" Distinction

- State law prescribes the limits and authority for the State and its political subdivisions, including cities, to collect and impose sales taxes.
- Commonly known as "sales tax," State law distinguishes between a "sales and use tax" and "transactions and use tax" due to differences in tax base.
- A transactions and use tax allows for taxation on retail sales without being based on the location of a sale.
- Under State law, a city may impose or increase a transactions and use tax for general purposes if:
 - ❖ An ordinance is approved by two-thirds majority vote of a city council and;
 - ❖ A simple majority vote of the city's qualified electors.
- A transactions and use tax may be set at fractional rates, such as 1/2 or 1/4% of a percent, but a city cannot exceed a combined 2% rate cap that applies to all local governments.
 - ❖ Oceanside's current 7.75% sales and use tax does not count towards this combined 2% rate cap for transactions and use taxes.
- Revenue from a sales tax may be used for general or specific purposes.
 - ❖ A "general tax" requires a simple majority vote of the electorate for approval, while a "special tax" requires a two-thirds majority of the electorate.
 - ❖ Courts have determined a tax is general when its revenues are available for expenditure for any and all governmental purposes.
- In 2004 and 2010, two statewide ballot initiatives (Propositions 1A and 22) were approved by California voters, both increased protection against State reallocation of local sales tax to fund the State's agencies or programs.
- Article XIII, Section 24(b) of the State Constitution, enacted by Proposition 22, provides, "the Legislature may not reallocate, transfer, borrow, appropriate, restrict

the use of, or otherwise use the proceeds of any tax imposed or levied by a local government solely for the local government's purposes."

- A recent appellate court case confirmed protection afforded cities by this provision. Therefore, revenues from a city-approved sales tax, used for the city's purposes, are constitutionally protected from State-mandated revenue shifts away from the City.

PROPOSED SALES TAX

The average sales tax rate in California is 8.5% as of July 1, 2017. If approved by voters, Oceanside's new 8.25% rate **would be less than average** of other California cities. Rates in other area cities include Del Mar, National City and Temecula at 8.75%; La Mesa at 8.5%; and Chula Vista, El Cajon and Vista at 8.25%. Other Coastal cities with local taxes include Long Beach at 10.25%, Santa Monica at 10.25%, Avalon at 10.0% and Santa Barbara at 8.75% effective April 2018.

The table below shows an increase in costs resulting from an increase in the sales tax rate based on an economist's analysis of the City's demographics and sales tax revenues.

Annual Sales Tax Paid Based Upon Household Income				
	Current Sales Tax Rate 7.75%		Potential Sales Tax Rate 8.25%	
Household Income	Annual sales tax paid	Current Oceanside Share (1% of rate)	New Annual Sales Tax (.5%)	New Monthly Sales Tax (.5%)
\$45,000	\$867	\$112	\$56	\$4.66
\$60,000	\$971	\$125	\$63	\$5.22
<i>\$66,348 Median</i>	<i>\$1,044</i>	<i>\$135</i>	<i>\$67</i>	<i>\$5.61</i>
\$75,000	\$1,109	\$143	\$72	\$5.96
\$90,000	\$1,253	\$162	\$81	\$6.74

*Source: BW Research, March 2018

IF THE CITY COUNCIL AUTHORIZES BALLOT MEASURE

- If the City Council places the measure on the ballot, it will be subject to voter approval on the November 6, 2018 General Election ballot.
- For the 1/2 cent sales tax increase for general governmental purposes to be adopted, a simple majority of the City's qualified electors must approve it.

- If the voters approve the 1/2 cent sales tax increase, the enacting ordinance requires the City Council to develop an annual spending plan and appoint a Citizens Oversight Committee to recommend and monitor expenditures. Funds will be deposited in a separate sub fund to provide accountability and audited annually.

CITY SERVICES

Programs and projects that may be funded if sales tax increase is approved

If the ballot measure is approved by the City Council, it will ask the City's voters to approve a "general tax" under California law. As such, if the City's voters approve the sales tax increase measure at the 2018 General Election, all revenue generated by this Measure would go to the City's general fund. These sales tax funds would be available to spend for any and all services, programs and projects funded by the City, including but not limited to, police protection; crime prevention; fire safety; lifeguards; projects such as streets, infrastructure and flood control; programs attracting businesses which supply high paying jobs; youth/senior services; sports/recreation programs; expanding homeless efforts; preserving property values and quality of life.

The ballot measure requires that the City account separately for the revenues and expenditures resulting from the ballot measure. This will be accomplished by establishing a sub fund within the General Fund. Additionally, the ballot measure requires that the City establish a Citizen's Oversight Committee and an annual spending plan for consideration and action as part of the City's annual budget process.

Below is a list of services, programs and projects that **may** be funded if the sales tax increase is approved. The ½ cent sales tax increase would generate approximately \$11M annually for seven years – about \$81M in total funding assuming 1% annual revenue growth. Consequently, the City Council will need to determine specific priorities as the list of potential programs and projects far exceeds this amount.

Public Safety:

- Enhanced Police Services including crime prevention and drug enforcement
- Increase Gang Suppression Unit manpower
- Dedicate permanent funding of Downtown Crime Suppression Unit
- Expansion of Oceanside Police Department's Homeless Outreach Team
- Augment Fire/Paramedic and Lifeguard Services
- Implement Emergency Medical Technician Program
- Improved Emergency/Disaster Operations
- Expand PERT Units

- Fund Fire Explorer Program

Capital Improvement Projects:

- Pothole repair and paving projects
- Sidewalk repair and enhancement
- Beach erosion and sand replenishment
- Beachfront Improvements
- Pier Repair
- The Strand safety improvements
- Smart Infrastructure (fiber optic, cable, cameras and sensors)
- Storm drains and storm water pollution prevention
- Fire Facilities such as:
 - Replacement of Fire Station 1 along with an Emergency Operations Center (EOC)
 - Remodel Fire Stations 3 & 4
 - New Fire Stations 8 (currently in a leased building) and 9 (northeast part of town)
 - Fire training tower
 - New Lifeguard Facility
 - Permanent Fire Training Facility Offices
- Permanent Police Headquarters
- Parks and Recreation facilities
 - Shade structures at all playgrounds and new playground improvements including equipment, surfacing and ADA improvements
 - Repairs to Heritage Park and Americanization School
 - Remodel Jr. Seau Community Center
 - Resource Center Improvements
 - Rehabilitation of existing swimming pools
 - Construction of El Corazon Aquatic Complex
- Branch library at El Corazon
- Deferred maintenance for City facilities such as:
 - Civic Center roofs and chiller unit
 - Melba Bishop Recreation Center chiller unit and upgrades
 - OTC Parking Structure Repairs
 - City Operations Center – Fuel Dock Steel Structure repairs
- Coastal Rail Trail
- Sprinter Rail Trail
- Street projects such as:
 - Coast Highway Improvements
 - Safety bollards for downtown markets/special events
 - Widen College Blvd. Bridge over San Luis Rey River
 - Improvements to College Blvd. and Oceanside Blvd.

- Widen College from Old Grove to Olive
- Widen El Camino Real bridge over SR 78
- Widen El Camino Real between Oceanside Blvd. and Mesa Drive
- Neighborhood traffic calming projects
- Widen SR 76 from four to six lanes
- Mission Avenue widening from Rancho del Oro to Old Grove Road
- Mission Avenue median improvements
- Canyon Drive improvements
- El Corazon access road
- Roundabouts at Frazee/Old Grove and Mesa/Barnwell
- Gateway Improvements/Beautification
- Façade Improvement Program
- Airport runway, taxiway and apron improvements (local match is needed for Federal grants)
- Municipal Golf Course irrigation improvements and new/renovated clubhouse
- Oceanside Blvd. Vision Plan

City Services and Programs:

- Senior and Youth Programs
- Facility Operations
- Parks and Trails Maintenance
- Library programs and enhanced hours of operation
- Rapid Rehousing and homeless prevention programs

POTENTIAL ACTIONS IF SALES TAX INCREASE IS NOT APPROVED

If the sales tax increase is not approved, the additional City-specific sales tax revenue would not be available. Based on the Five Year Forecast, Oceanside is facing a deficit beginning in FY 2020-21. Consequently, the City would likely need to look towards reducing services without the additional sales tax revenue. Below is a list of possible actions that may be considered:

General Operational Cuts

- Hard hiring freeze
- Freeze/reduce employee pay/benefits
- Curtail customer service to the public/limit City Hall hours for public
- Reduction in certain services (to be determined)

Public Safety

- Reduce Funding for the Homeless Outreach Team
- Reduce Police funding for neighborhood policing
- Reduction in number of police officers through attrition as vacancies are not filled
- Reduction in gang suppression services
- Reduce emergency operation center planning and training
- Brown out an ambulance and/or Fire Engine company
- Close a Fire Station
- Reduce Fire Prevention Staff
- Defund lifeguard services

Public Works and Code Enforcement

- Reduce Code Enforcement staff
- Reduce landscape maintenance citywide
- Reduce maintenance of beaches/restroom/pier
- Reduce/eliminate graffiti removal
- Reduce maintenance of roads/city property
- Less frequent services such as removal of trash from public rights of way
- Slower response to pothole repair, street repairs and all general maintenance requests
- Defer maintenance on all public facilities

Parks and Recreation and Libraries

- Close locations or limit hours and programs for Parks and Recreation
- Stop maintaining fields/parks
- Close pools (and not build new aquatic center)
- Eliminate City support for events/require full cost recovery (Fireworks, Ironman, Beach Soccer, etc.)
- Close or limit hours at libraries
- Eliminate all arts funding/support
- Defund Community Resource Centers

Capital Improvement Projects

- Continue to defer road maintenance past useful life, but this will increase pavement repair costs
- Cancel El Corazon Aquatic Center project
- Limited Long Range Planning to only meet legislative minimum mandates

QUICK FACTS

WHAT HAS CHANGED OVER THE YEARS?

- Great Recession
- Significant revenue reductions
- Elimination of redevelopment agency - \$10M annual loss to City
- Increasing police, fire and utility costs, along with population increase

STEPS TAKEN TO REDUCE EXPENSES:

- Decreased City workforce by 107 full-time positions since 2007 while population has increased by approximately 10,000
- Employees paying a greater percentage of retirement and health insurance costs (City contribution for health insurance capped)
- Closed Landes Recreation Center and year-round service at Marshall Street Pool
- Outsourced many services, including, parking and ambulance billing, tree trimming, concrete repair, park maintenance, accounting, and certain planning and permitting staff functions
- Restructured Departments/Divisions for maximum efficiency
- Library Community Computer Center closed
- Regular Fee Studies conducted to ensure cost recovery
- Cost containment measures:
 - Modified hiring restrictions
 - No service expansion unless fully funded by reliable new funding source
 - Directing 1/3 of investment earnings and half of year-end surplus to reducing pension liability
 - Implemented local pension reform

KEY SOURCES OF INCOME:

- Property tax – 40-41% of Oceanside’s General Fund
 - Oceanside only receives about 19¢ per \$1.00 paid, most property tax (65%) goes to education
 - About 45% of Oceanside’s property tax revenue comes from owner occupied properties, City share is about \$557 from the average homeowner and \$190 from the average mobile home owner

- Sales tax – 15% of Oceanside’s General Fund
 - Oceanside receives 1¢ out of 7.75¢ total, most goes to the State and County
 - Majority of sales tax revenue (63%) comes from non-residents including visitors and businesses
 - Median household pays about \$135 annually in sales tax to Oceanside now and would pay another \$67 annually if the 1/2¢ increase is approved
- Transient Occupancy Tax (TOT or Hotel Tax) – 5% of General Fund, Rate = 10% tax to City plus 1.5% Tourism Marketing District
- Taxes comprise 66% of the total general fund budget but only about 24% of general fund revenue comes from taxes paid by Oceanside residents

MAJOR EXPENSE CATEGORIES:

- Public Safety – 61% of total General Fund budget
- Public Works – 11% of total General Fund Budget
- Personnel costs – 72% of total General Fund Budget
 - About 22% of personnel costs are for pension related purposes including PERS and existing pension obligation bonds

SPECIFIC FUNDING NEEDS:

- Public safety staffing:
 - Enhanced Police Services including crime prevention and drug enforcement
 - Increase Gang Suppression Unit manpower
 - Dedicate permanent funding of Downtown Crime Suppression Unit
 - Expansion of Oceanside Police Department’s Homeless Outreach Team
 - Augment Fire/Paramedic and Lifeguard Services
 - Improved Emergency/Disaster Operations
- Streets – An additional \$2.5M is needed annually to improve road conditions from Fair to Very Good as of today
- Storm Water – An additional \$2.5M is needed to install catch basins to meet new storm water requirements, will increase maintenance costs by almost \$500,000 annually upon full implementation
- \$1M initial match will be needed for shoreline study
- Pension costs will increase an average of \$2.2M annually over the next five years

- Capital improvement funding for the following projects:
 - Pothole repair and paving projects
 - Sidewalk repair and enhancement
 - Beach erosion and sand replenishment
 - Beachfront Improvements
 - Pier Repair
 - The Strand safety improvements
 - Smart Infrastructure (fiber optic, cable, cameras and sensors)
 - Storm drains and storm water pollution prevention
 - Fire Facilities such as:
 - Replacement of Fire Station 1 along with an Emergency Operations Center (EOC)
 - Remodel Fire Stations 3 & 4
 - New Fire Stations 8 (currently in a leased building) and 9 (northeast part of town)
 - New Fire Training Tower
 - New Lifeguard Facility
 - Permanent Fire Training Facility Offices
 - Permanent Police Headquarters
 - Parks and Recreation facilities
 - Shade structures at all playgrounds and new playground improvements including equipment, surfacing and ADA improvements
 - Repairs to Heritage Park and Americanization School
 - Remodel Jr. Seau Community Center
 - Resource Center Improvements
 - Rehabilitation of existing swimming pools
 - Construction of El Corazon Aquatic Complex
 - Branch library at El Corazon
 - Deferred maintenance for City facilities such as:
 - Civic Center roofs and chiller unit
 - Melba Bishop Recreation Center chiller unit and upgrades
 - OTC Parking Structure Repairs
 - City Operations Center – Fuel Dock Steel Structure repairs
 - Coastal Rail Trail
 - Sprinter Rail Trail
 - Street projects such as:
 - Coast Highway Improvements
 - Safety bollards for downtown markets/special events
 - Widen College Blvd. Bridge over San Luis Rey River
 - Improvements to College Blvd. and Oceanside Blvd.
 - Widen College from Old Grove to Olive
 - Widen El Camino Real bridge over SR 78

- Widen El Camino Real between Oceanside Blvd. and Mesa Drive
- Neighborhood traffic calming projects
- Widen SR 76 from four to six lanes
- Mission Avenue widening from Rancho del Oro to Old Grove Road
- Mission Avenue median improvements
- Canyon Drive improvements
- El Corazon access road
- Roundabouts at Frazee/Old Grove and Mesa/Barnwell
- Gateway Improvements/Beautification
- Façade Improvement Program
- Airport runway, taxiway and apron improvements (local match is needed for Federal grants)
- Municipal Golf Course irrigation improvements and new/renovated clubhouse
- Oceanside Blvd. Vision Plan
- **Enhanced Funding for City Services and Programs:**
 - Senior and Youth Programs
 - Facility Operations
 - Parks and Trails Maintenance
 - Library programs and enhanced hours of operation
 - Rapid Rehousing and Homeless Prevention Programming

Frequently Asked Questions

Q. When it comes to public services, what are the City of Oceanside's priorities?

A. The City's mission is to enhance the quality of life through outstanding service to its diverse community. The City's goal is to maintain fiscally sustainable policies that support core services while improving the quality of life. To sustain our high quality of life, it is essential that we maintain city streets, fix potholes, ensure we have enough police officers, firefighter/paramedics and lifeguards to respond quickly to 9-1-1 emergencies and reduce gang activity and drug-related crime, keep public areas clean and free of graffiti and repair, maintain and enhance public infrastructure including sidewalks and storm drains.

Q. How is the City of Oceanside performing in delivering city services and protecting the quality of life in Oceanside?

A. The City of Oceanside has a long tradition of safe neighborhoods, involved citizens and a vibrant business community. As a full-service city, Oceanside provides the community with such services as police, fire, library, water and sewer. In addition, the City has an airport, a small craft harbor, a municipal pier, golf courses, swimming pools, and numerous parks and community center facilities. Oceanside's beaches are owned by the City, not the State, and the City is responsible for beach services such as lifeguards and beach maintenance. A recent community survey of Oceanside residents showed very high favorability for the quality of life and the quality of city services. Oceanside is dedicated to enhancing and protecting the quality of life for current and future generations.

Q. What has Oceanside done to control its costs?

A. Since 2007, the City has taken the following steps to reduce costs:

- Reduced staffing levels
- Restructured employee pension plan to save money and transferred the cost of pensions to employees
- Froze the City portion of health care costs with all increases borne by employees
- Used technology to improve efficiency
- Cost containment
- Eliminated the neighborhood traffic calming program
- Soft hiring freeze
- Contracted out maintenance
- Closed the Landes Community Center

Q. What is the City proposing to address its financial needs?

A. Over the past year, the City has reviewed several options to protect our essential city services, including grants and several local funding options. Oceanside City Council is considering a potential sales tax measure, on the November 6, 2018, ballot. If approved by local voters, the measure would enact a ½ cent increase in our local sales tax, which would be paid by everyone who shops in Oceanside including tourists and visitors. Groceries and medicine would be exempt from the sales tax.

Q. How would a potential ballot measure maintain local city services?

A. The potential measure would provide stability to the City's budget and add over \$11.2M per year to protect and enhance the quality of services to the community. It could:

- Ensure that we have enough police officers to respond quickly to 9-1-1 emergencies and reduce gang activity and drug-related crime
- Ensure that we have enough firefighter/paramedics and lifeguards to respond quickly to 9-1-1 emergencies
- Repair potholes and maintain local streets
- Keep public areas clean and free of graffiti
- Provide fire protection, lifeguard and emergency medical services
- Repair, maintain and enhance public infrastructure including sidewalks, storm drains and other infrastructure improvements

Q. How do we know funds would be spent wisely?

A. By law, all funds would stay here in Oceanside and could not be taken by the State. An independent citizens' oversight committee and annual audits would verify that all funds are spent on voter-approved priorities.

Q. How have state budget cuts impacted the City and its emergency services?

A. Oceanside does not receive state funding for public safety. We simply cannot rely on the State to provide critical funding for our local city services.

Q. Could the State cut or take away this local funding?

A. No. All funds would be legally required to be spent in Oceanside, ensuring that all funds are used locally, with no money could be taken by the State.

Q. How much would the measure cost?

A. This measure would enact a ½ cent increase in our local sales tax. For example, the measure would add 50¢ to a \$100 purchase or \$5.00 on a \$1,000 purchase. Groceries and medicine are exempted from sales tax. Significant portions of our local sales taxes are paid by visitors and residents from other cities who shop in our community.

Q. How is this different from existing sales taxes?

A. The current sales and use tax rate in Oceanside is 7.75%. The City only receives 1% of that revenue and the rest goes to the State, San Diego County and SANDAG. If approved, a sales and use tax would go entirely to the City.

Q. Where would this new tax place the Oceanside’s sales tax rate compared to other cities?

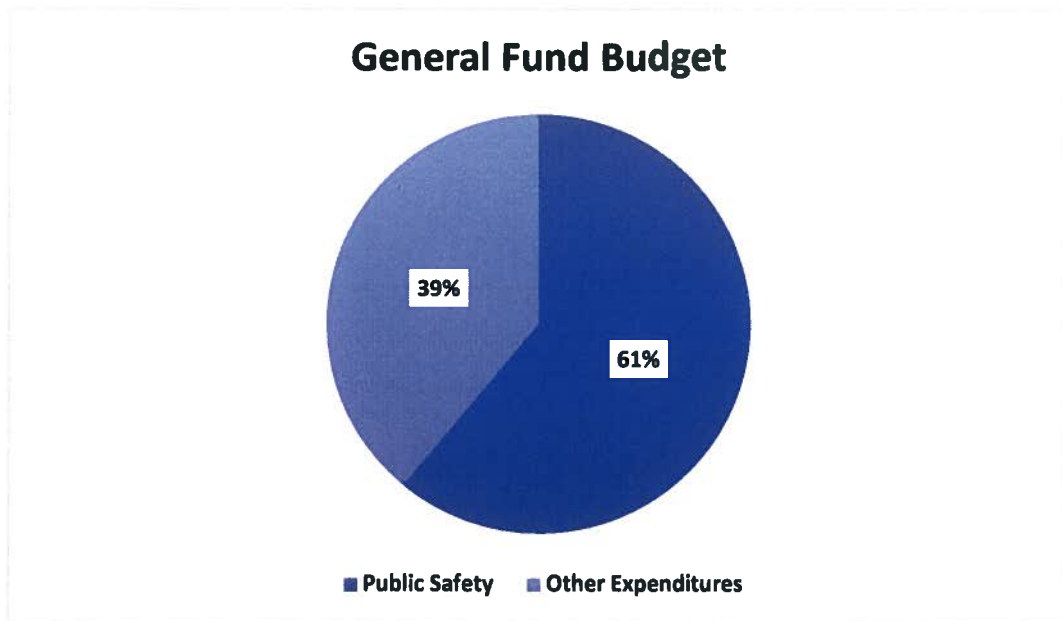
A. The average sales tax rate in California is 8.5% as of July 1, 2017. If approved by voters, Oceanside’s new 8.25% rate would be less than the average of other California cities. Rates in other area cities include Del Mar, National City and Temecula at 8.75%; La Mesa at 8.5%; and Chula Vista, El Cajon and Vista at 8.25%. Other Coastal cities with local taxes include Long Beach (10.25%), Santa Monica (10.25%), Avalon (10.0%) and Santa Barbara (8.75% effective April 2018).

Q. How long would the potential measure be in effect?

A. The potential measure would have a duration of seven years and could not be renewed without voter approval.

Q. How does the City spend its current tax revenues?

A. To sustain our high quality of life, the City of Oceanside has a balanced general fund budget of \$145.24M. The largest expenditure category is public safety (police, fire and lifeguards), with 61% of the budget.



Q. What are the next steps for the potential measure?

A. The deadline to place a measure on the November 6, 2018 ballot is August 10, 2018 and requires approval by 2/3rd of the City Council (four affirmative votes). We expect to bring an item to the City Council in June 2018 to place on the November ballot.

Q. How do I get more information?

A. We care about your input in the process of determining priorities for our city. Please email the City at info@oceanside.ca.us with any questions or comments and visit the webpage at www.ci.oceanside.ca.us/salestax.



OCEANSIDE
CHAMBER OF
COMMERCE

May 15, 2018

Mayor Peter Weiss and Councilmembers
City of Oceanside
300 North Coast Highway
Oceanside, CA 92054

Dear Mayor Weiss and Councilmembers:

I am writing in regard to the Sales Tax Measure that is being considered for the November 2018 ballot.

The Chamber recently sent to survey to its members, asking the following question: **Should the City Council place the sales tax initiative on the ballot to give Oceanside voters the opportunity to decide whether or not they want the sales tax?**

Nearly 66% of Chamber members who answered the survey responded in the affirmative to this question. Based on our member feedback, the Oceanside Chamber Board of Directors respectfully requests that the council vote to place this measure on the November ballot.

Sincerely,



Scott M. Ashton
Chief Executive Officer



May 22, 2018

City of Oceanside
300 North Coast Highway
Oceanside, CA 92054

Dear Mayor Weiss, Deputy Mayor Lowery and City Councilmembers,

On behalf of the Visit Oceanside board of directors, we support putting the half-cent sales tax measure on the ballot; providing the opportunity for the residents to decide the need for generating additional revenue to support quality of life issues.

Given the fact that there will be an oversight committee, we would be supportive of an opportunity to generate additional funds for quality of life issues that include capital improvements, infrastructure and beautification. If we have the means to maintain a vibrant community for our locals, it will create the opportunity to generate much needed new tax dollars that will help sustain our community for the long-term. This could be catalyst in generating new business, tourism as well as have a positive impact on other sectors that include our educational system.

Thank you for your partnership.

Sincerely,

A handwritten signature in blue ink that reads "Leslee Gaul".

Leslee Gaul
President/CEO
Visit Oceanside

CC: Michelle Skaggs-Lawrence, City Manager
Deanna Lorson, Assistant City Manager





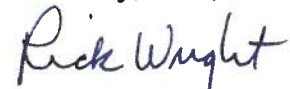
May 22, 2018

Mayor Peter Weiss
City Council Members
City of Oceanside
300 N. Coast Highway
Oceanside, CA 92054

Dear Mayor Weiss:

The Board of Directors of MainStreet Oceanside has asked me to report to you that they voted unanimously today at their monthly Board Meeting to recommend that the Oceanside City Council place a sales tax measure on the November 6, 2018 ballot.

Sincerely,


Rick Wright
Executive Director