

**CITY OF SANTA BARBARA  
CITY COUNCIL**

**Helene Schneider**  
*Mayor*  
**Cathy Murillo**  
*Mayor Pro Tempore*  
**Randy Rowse**  
*Ordinance Committee Chair*  
**Dale Francisco**  
*Finance Committee Chair*  
**Gregg Hart**  
**Frank Hotchkiss**  
**Bendy White**



**James L. Armstrong**  
*City Administrator*

**Ariel Pierre Calonne**  
*City Attorney*

**City Hall**  
735 Anacapa Street  
<http://www.SantaBarbaraCA.gov>

**JULY 29, 2014  
AGENDA**

**ORDER OF BUSINESS:** Regular meetings of the Finance Committee and the Ordinance Committee begin at 12:30 p.m. The regular City Council meeting begins at 2:00 p.m. in the Council Chamber at City Hall.

**REPORTS:** Copies of the reports relating to agenda items are available for review in the City Clerk's Office, at the Central Library, and <http://www.SantaBarbaraCA.gov>. In accordance with state law requirements, this agenda generally contains only a brief general description of each item of business to be transacted or discussed at the meeting. Should you wish more detailed information regarding any particular agenda item, you are encouraged to obtain a copy of the Council Agenda Report (a "CAR") for that item from either the Clerk's Office, the Reference Desk at the City's Main Library, or online at the City's website (<http://www.SantaBarbaraCA.gov>). Materials related to an item on this agenda submitted to the City Council after distribution of the agenda packet are available for public inspection in the City Clerk's Office located at City Hall, 735 Anacapa Street, Santa Barbara, CA 93101, during normal business hours.

**PUBLIC COMMENT:** At the beginning of the 2:00 p.m. session of each regular City Council meeting, and at the beginning of each special City Council meeting, any member of the public may address the City Council concerning any item not on the Council's agenda. Any person wishing to make such address should first complete and deliver a "Request to Speak" form prior to the time that public comment is taken up by the City Council. Should City Council business continue into the evening session of a regular City Council meeting at 6:00 p.m., the City Council will allow any member of the public who did not address them during the 2:00 p.m. session to do so. The total amount of time for public comments will be 15 minutes, and no individual speaker may speak for more than 1 minute. The City Council, upon majority vote, may decline to hear a speaker on the grounds that the subject matter is beyond their jurisdiction.

**REQUEST TO SPEAK:** A member of the public may address the Finance or Ordinance Committee or City Council regarding any scheduled agenda item. Any person wishing to make such address should first complete and deliver a "Request to Speak" form prior to the time that the item is taken up by the Finance or Ordinance Committee or City Council.

**CONSENT CALENDAR:** The Consent Calendar is comprised of items that will not usually require discussion by the City Council. A Consent Calendar item is open for discussion by the City Council upon request of a Councilmember, City staff, or member of the public. Items on the Consent Calendar may be approved by a single motion. Should you wish to comment on an item listed on the Consent Agenda, after turning in your "Request to Speak" form, you should come forward to speak at the time the Council considers the Consent Calendar.

**AMERICANS WITH DISABILITIES ACT:** In compliance with the Americans with Disabilities Act, if you need special assistance to gain access to, comment at, or participate in this meeting, please contact the City Administrator's Office at 564-5305 or inquire at the City Clerk's Office on the day of the meeting. If possible, notification at least 48 hours prior to the meeting will enable the City to make reasonable arrangements in most cases.

**TELEVISION COVERAGE:** Each regular City Council meeting is broadcast live in English and Spanish on City TV Channel 18 and rebroadcast in English on Wednesdays and Thursdays at 7:00 p.m. and Saturdays at 9:00 a.m., and in Spanish on Sundays at 4:00 p.m. Each televised Council meeting is closed captioned for the hearing impaired. Check the City TV program guide at [www.citytv18.com](http://www.citytv18.com) for rebroadcasts of Finance and Ordinance Committee meetings, and for any changes to the replay schedule.

## **ORDER OF BUSINESS**

- 12:30 p.m. - Finance Committee Meeting, David Gebhard Public Meeting Room,  
630 Garden Street  
2:00 p.m. - City Council Meeting

### **FINANCE COMMITTEE MEETING - 12:30 P.M. IN THE DAVID GEBHARD PUBLIC MEETING ROOM, 630 GARDEN STREET (120.03)**

**1. Subject: June 30, 2014, Investment Report And June 30, 2014, Fiscal Agent Report**

Recommendation: That Finance Committee recommend that Council:

- A. Accept the June 30, 2014, Investment Report; and
- B. Accept the June 30, 2014, Fiscal Agent Report.

(See Council Agenda Item No. 5)

**2. Subject: Statement Of Investment Policy And Delegation Of Investment Authority For Fiscal Year 2015**

Recommendation: That Finance Committee recommend that Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Adopting the Investment Policy for the City and Rescinding Resolution No. 13-058.

(See Council Agenda Item No. 4)

### **REGULAR CITY COUNCIL MEETING – 2:00 P.M.**

**CALL TO ORDER**

**PLEDGE OF ALLEGIANCE**

**ROLL CALL**

## CHANGES TO THE AGENDA

### PUBLIC COMMENT

### CONSENT CALENDAR

**1. Subject: Minutes**

Recommendation: That Council waive further reading and approve the minutes of the regular meetings of July 15, and July 22, 2014.

**2. Subject: Cancellation Of The August 12, 2014, City Council Meeting (120.02)**

Recommendation: That Council cancel the August 12, 2014, City Council meeting.

**3. Subject: Classification and Compensation Adjustments (410.06)**

Recommendation: That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Amending Resolution No. 14-046, the Position and Salary Control Resolution for Fiscal Year 2015, To Implement Two Position Reclassifications and Two Classification Salary Adjustments Effective July 26, 2014.

**4. Subject: Statement Of Investment Policy And Delegation Of Investment Authority For Fiscal Year 2015 (260.01)**

Recommendation: That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Adopting the Investment Policy for the City and Rescinding Resolution No. 13-058.

**5. Subject: June 30, 2014, Investment Report And June 30, 2014, Fiscal Agent Report (260.01)**

Recommendation: That Council:

- A. Accept the June 30, 2014, Investment Report; and
- B. Accept the June 30, 2014, Fiscal Agent Report.

## CONSENT CALENDAR (CONT'D)

**6. Subject: Professional Services Agreement With Aon Hewitt For Actuarial Services (210.01)**

Recommendation: That Council authorize the Finance Director to execute a professional services agreement with Aon Hewitt to perform actuarial services in connection with the City's Post Retirement Health Benefits, Sick Leave Benefits, and Article XV and XVA Safety Retirement Plans in amount of \$37,000, and authorize the Finance Director to approve additional services if needed totaling \$5,000.

**7. Subject: Request For Consent Of Participating Jurisdictions To Renew The Santa Barbara South Coast Tourism Business Improvement District (290.00)**

Recommendation: That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Requesting Consent of the Cities of Carpinteria and Goleta, and the County of Santa Barbara, to Renew the Santa Barbara Tourism Business Improvement District.

**8. Subject: Police Department Explorer Program Funds (520.04)**

Recommendation: That Council accept a donation of \$200 from Montecito Firefighters Fund for the Explorer Program and increase appropriations and estimated revenues in the Police Department Miscellaneous Grants Fund for the Explorer Program by \$200.

**9. Subject: Agreements For Afterschool Programs (570.06)**

Recommendation: That Council:

- A. Authorize the Parks and Recreation Director to enter into three agreements with the Santa Barbara Unified School District (SBUSD) for the Recreation Afterschool Program (RAP), Afterschool Opportunities for Kids (A-OK), and Junior High Afterschool Sports Program; and
- B. Increase appropriations and estimated revenues in the Fiscal Year 2015 Parks and Recreation Department Miscellaneous Grants Fund in the amount of \$3,879.

## CONSENT CALENDAR (CONT'D)

**10. Subject: City And School District Agreement For Joint Use, Programming, Maintenance, And Development (570.07)**

Recommendation: That Council approve and authorize the City Administrator to execute a five-year agreement between the City and Santa Barbara Unified School District (District) for Joint Use, Programming, Maintenance, and Development.

**11. Subject: City And School District Joint Use Park Ranger Patrol Services Agreement (570.05)**

Recommendation: That Council:

- A. Authorize the City Administrator to enter into a one-year agreement with the Santa Barbara Unified School District (District) for Park Ranger Patrol Services at District properties at a cost of \$31,420; and
- B. Increase the Parks and Recreation Fiscal Year 2015 estimated revenues and appropriations by \$11,420.

**12. Subject: Lease Agreements For The Westside Neighborhood Center And Louise Lowry Davis Center (580.04)**

Recommendation: That Council:

- A. Authorize the Parks and Recreation Director to execute a one-year lease agreement with Special Olympics for facility space at the Westside Neighborhood Center for an annual rate of \$17,062.56;
- B. Authorize the Parks and Recreation Director to execute a one-year lease agreement with UCP/Work Inc., for facility space at the Westside Neighborhood Center for an annual rate of \$51,925.68; and
- C. Authorize the Parks and Recreation Director to execute a one-year lease agreement with United Cerebral Palsy Association of Los Angeles, Ventura, and Santa Barbara Counties, for facility space at the Louise Lowry Davis Center for an annual rate of \$2,553.48.

**13. Subject: Sole Source Vendor For Clean Air Express Passes (670.01)**

Recommendation: That Council:

- A. Authorize the City's General Services Manager to issue a Purchase Order in the amount of \$30,000 for Fiscal Year 2015 to the City of Lompoc, to purchase Clean Air Express Passes for the Work Trip Reduction Incentive Program pursuant to the sole source provisions of Santa Barbara Municipal Code Section 4.52.070(k); and (Cont'd)

## CONSENT CALENDAR (CONT'D)

### 13. (Cont'd)

- B. Authorize the City Administrator, subject to future appropriations, to approve renewal of the purchase order or other similar contract for the five years ending in 2019.

### 14. **Subject: Increase In Construction Change Order Authority For The Punta Gorda Street Bridge Replacement Project (530.04)**

Recommendation: That Council:

- A. Authorize an increase in the Public Works Director's change order Authority to approve expenditures for extra work for the Punta Gorda Street Bridge Replacement Project, Contract No. 24,514, in the amount of \$148,000, for a total Project expenditure authority of \$3,580,037;
- B. Increase appropriations in the amount of \$148,000 from Measure A reserves to transfer to the Streets Fund for the Punta Gorda Street Bridge Replacement Project, Contract No. 24,514; and
- C. Increase estimated revenue and appropriations in the amount of \$148,000 in the Streets Fund for the transfer of Funds from the Measure A Fund to cover the cost of the Punta Gorda Street Bridge Replacement Project.

### 15. **Subject: Community Promotion Contract With Summer Solstice Celebration, Inc. (180.02)**

Recommendation: That Council authorize the City Administrator to execute an annual community promotion contract with Summer Solstice Celebration, Inc. in the amount of \$64,000 to support year-round administrative expenses for the community event.

### 16. **Subject: Municipal Code Amendments For Implementation Of Senate Bill 2 Related To Emergency Shelter Zoning (640.09)**

Recommendation: That Council adopt by reading of title only, an Ordinance of the Council of the City of Santa Barbara Establishing Regulations for Emergency Shelters As a Permitted Use in the C-M Zone (Option 2).

## NOTICES

- 17. The City Clerk has on Thursday, July 24, 2014, posted this agenda in the Office of the City Clerk, on the City Hall Public Notice Board on the outside balcony of City Hall, and on the Internet.

**This concludes the Consent Calendar.**

## REPORT FROM THE FINANCE COMMITTEE

### CITY COUNCIL ADMINISTRATIVE AND ATTORNEY REPORTS

#### PUBLIC WORKS DEPARTMENT

**18. Subject: Capital Improvement Projects: Annual Report For Fiscal Year 2014 (230.01)**

Recommendation: That Council receive the City's Capital Improvement Projects Fourth Quarter and Annual Report for Fiscal Year 2014.

**19. Subject: Increase In Professional Services For Reactivation Of The Charles E. Meyer Desalination Facility (540.10)**

Recommendation: That Council:

- A. Appropriate \$643,959 from the Water Fund reserves for the transfer of funds to the Water Drought Fund for reactivation of the Charles E. Meyer Desalination Facility;
- B. Increase estimated revenues and appropriations in the Drought Fund in the amount of \$643,959 for the Charles E. Meyer Desalination Facility;
- C. Authorize an increase in the extra services amount with Carollo Engineers, Inc., Professional Services Contract for Preliminary Design Services for Recommissioning the Charles E. Meyer Desalination Facility, City Agreement No. 24,833, in the amount of \$343,959, for a total contract expenditure authority of \$1,164,587; and
- D. Authorize the City Attorney to negotiate and execute a Professional Services contract with Latham & Watkins LLP, in an amount not to exceed \$200,000, for legal support services related to the City's existing Coastal Development Permit for the Charles E. Meyer Desalination Facility.

**20. Subject: Contract For Drought Related Water Rate Modeling Services (540.10)**

Recommendation: That Council:

- A. Appropriate \$42,397 from the Water Fund reserves to the Water Drought Fund for expenses related to the Desalination Financing and Water Rate Modeling Study; and
- B. Authorize the Public Works Director to execute a Professional Services contract with Raftelis Financial Consultants, Inc., in the amount of \$33,917 for services related to the Desalination Financing and Water Rate Modeling Study, and authorize the Public Works Director to approve expenditures of up to \$8,480 for extra services that may result from necessary changes in the scope of work.

## **COUNCIL AND STAFF COMMUNICATIONS**

## **COUNCILMEMBER COMMITTEE ASSIGNMENT REPORTS**

## **CLOSED SESSIONS**

### **21. Subject: Conference With Labor Negotiator (440.05)**

Recommendation: That Council hold a closed session, per Government Code Section 54957.6, to consider instructions to City negotiator Kristine Schmidt, Administrative Services Director, regarding negotiations with the Treatment and Patrol Bargaining Unit.

Scheduling: Duration, 30 minutes; anytime

Report: None anticipated

## **ADJOURNMENT**

CITY OF SANTA BARBARA

**FINANCE COMMITTEE**

MEETING AGENDA

DATE: July 29, 2014

Dale Francisco, Chair

TIME: 12:30 P.M.

Bendy White

PLACE: David Gebhard Public Meeting Room  
630 Garden Street

Gregg Hart

James L. Armstrong  
City Administrator

Robert Samario  
Finance Director

**ITEMS TO BE CONSIDERED:**

**1. Subject: June 30, 2014, Investment Report And June 30, 2014, Fiscal Agent Report**

Recommendation: That Finance Committee recommend that Council:

- A. Accept the June 30, 2014, Investment Report; and
- B. Accept the June 30, 2014, Fiscal Agent Report.

(See Council Agenda Item No. 5)

**2. Subject: Statement Of Investment Policy And Delegation Of Investment Authority For Fiscal Year 2015**

Recommendation: That Finance Committee recommend that Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Adopting the Investment Policy for the City and Rescinding Resolution No. 13-05

(See Council Agenda Item No. 4)



# CITY OF SANTA BARBARA CITY COUNCIL MINUTES

## REGULAR MEETING July 15, 2014 COUNCIL CHAMBER, 735 ANACAPA STREET

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### CALL TO ORDER

Mayor Helene Schneider called the meeting to order at 2:01 p.m. (The Finance and Ordinance Committees, which ordinarily meet at 12:30 p.m., did not meet on this date.)

### PLEDGE OF ALLEGIANCE

Mayor Schneider.

### ROLL CALL

Councilmembers present: Dale Francisco, Gregg Hart, Cathy Murillo, Randy Rowse, Bendy White, Mayor Schneider.

Councilmembers absent: Frank Hotchkiss.

Staff present: Acting City Administrator Paul Casey, City Attorney Ariel Pierre Calonne, Deputy City Clerk Susan Tschech.

### PUBLIC COMMENT

Speakers: Clint Orr, Kenneth Loch, Phil Walker, William Connell, Connie Speight, Ethan.

### CONSENT CALENDAR (Item Nos. 1 – 20)

The titles of ordinances and resolutions related to Consent Calendar items were read.

Motion:

Councilmembers Murillo/Rowse to approve the Consent Calendar as recommended.

Vote:

Unanimous roll call vote (Absent: Councilmember Hotchkiss).

**1. Subject: Adoption Of Ordinance For Lease Agreement With Goleta Building Materials, Inc. (330.04)**

Recommendation: That Council adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Approving and Authorizing the Airport Director to Execute a 10-Year Lease Agreement With One 5-Year Option, With Goleta Building Materials, Inc., a California Corporation, Effective August 14, 2014, For a Monthly Rental of \$10,698, Exclusive of Utilities.

Action: Approved the recommendation; Ordinance No. 5660; Agreement No. 24,898.

**2. Subject: Introduction Of Ordinance For 2014-2017 Fire Association Memorandum Of Understanding (440.02)**

Recommendation: That Council:

- A. Ratify the Memorandum of Understanding between the City and the Santa Barbara City Firefighters' Association for the period of July 1, 2014, to December 31, 2017, through introduction and subsequent adoption of, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Adopting the 2014-2017 Memorandum of Understanding Between the City of Santa Barbara and the Santa Barbara City Firefighters' Association;
- B. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara For Paying and Reporting the Value of Employer-Paid Member Contributions for Firefighters' Association Employees Effective January 10, 2015; and
- C. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara For Paying and Reporting the Value of Employer-Paid Member Contributions for Firefighters' Association Employees Effective January 9, 2016.

Action: Approved the recommendations; Resolution Nos. 14-053 and 14-054 (July 15, 2014, report from the Administrative Services Director; proposed ordinance and resolutions).

**3. Subject: Grant Application For The Environmental Enhancement And Mitigation Program For The Arroyo Burro Restoration At Barger Canyon (540.14)**

Recommendation: That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Authorizing the Parks and Recreation Director, or Designee, to Submit a Grant Application for Grant Funds from the Environmental Enhancement and Mitigation Program for the Arroyo Burro Restoration at Barger Canyon.

(Cont'd)

**3. (Cont'd)**

Action: Approved the recommendation; Resolution No. 14-055 (July 15, 2014, report from the Parks and Recreation Director; proposed resolution).

**4. Subject: Resolutions Authorizing Execution Of Two Grant Agreements With The State Of California For Storm Water Infiltration Projects And Acceptance Of Grant Funds Totaling \$3,458,640 (540.10)**

Recommendation: That Council:

- A. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Authorizing the Parks and Recreation Director, or Designee, to Negotiate and Execute an Agreement, and Any Amendments Thereto, with the State of California for the City of Santa Barbara Low Impact Development - Streets, Sidewalks, and Alleys Project;
- B. Accept a Proposition 84 Storm Water Grant for an amount not to exceed \$2,307,010 for the Low Impact Development - Streets, Sidewalks, and Alleys Project;
- C. Authorize the increase of estimated revenues and appropriations in the Fiscal Year 2015 Creeks Capital Fund by \$2,307,010, for the Low Impact Development - Streets, Sidewalks, and Alleys Project funded from the grant;
- D. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Authorizing the Public Works Director, or Designee, to Negotiate and Execute an Agreement, and Any Amendments Thereto, with the State of California for the Laguna Lot Infiltration Paver Project;
- E. Accept a Proposition 84 Storm Water Grant for an amount not to exceed \$1,151,630 for the Laguna Lot Infiltration Paver Project; and
- F. Authorize the increase of estimated revenues and appropriations in the Fiscal Year 2015 Facilities Fund by \$1,151,630 for the Laguna Lot Infiltration Paver Project.

Action: Approved the recommendations; Resolution Nos. 14-056 and 14-057; Agreement Nos. 24,899 and 24,900 (July 15, 2014, joint report from the Parks and Recreation Director and Public Works Director; proposed resolutions).

**5. Subject: Corrected City Fee Resolution (230.05)**

Recommendation: That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Correcting the Establishment of Certain City Fees and Rescinding a Portion of Resolution No. 14-045.

Action: Approved the recommendation; Resolution No. 14-058 (July 15, 2014, report from the Public Works Director; proposed resolution).

**6. Subject: Tecolotito Creek Berm And Verhelle Bridge Year 8; Basin E/F Tidal Restoration Year 4 And Monitoring Contract (560.04)**

Recommendation: That Council approve and authorize the Airport Director to execute a contract with URS Corporation for post-construction biological monitoring for the Basin E/F Tidal Restoration Project, in an amount not to exceed \$64,177, and authorize the Airport Director to approve expenditures up to \$6,417 for extra services that may result from necessary changes in the scope of work.

Action: Approved the recommendation; Contract No. 24,901 (July 15, 2014, report from the Airport Director).

**7. Subject: Acceptance Of Federal Aviation Administration Airport Improvement Program Grant Offer For Santa Barbara Airport (560.04)**

Recommendation: That Council accept and authorize the Airport Director to execute, on behalf of the City, a Federal Aviation Administration Grant offer, No. 3-06-0235-47, in an amount not to exceed \$2,700,000 in Airport Improvement Program (AIP) funds, for the rehabilitation of Runway 15L-33R and General Aviation Aprons, the purchase of four lighted "X" runway closure signals, and a Wildlife Hazard Assessment and Wildlife Hazard Management Plan update.

Action: Approved the recommendation; Agreement No. 24,902 (July 15, 2014, report from the Airport Director).

**8. Subject: Maintenance Agreement With Accela, Inc., For Land Development Permit Tracking System (610.01)**

Recommendation: That Council:

- A. Approve and authorize the General Services Manager to issue a purchase order for \$55,221 with Accela, Inc., as the only known source for maintenance services for the City's Tidemark Advantage permit tracking software; and
- B. Authorize the renewal of the maintenance purchase order on an annual basis for up to five years, subject to annual budget approval.

Action: Approved the recommendations (July 15, 2014, report from the Community Development Director).

**9. Subject: Increase In Design Support Services For The Alameda Park Well Relocation Project (540.10)**

Recommendation: That Council authorize an increase in the extra services amount with Pueblo Water Resources for professional hydrogeologic and engineering services for the Alameda Park Well Relocation Project, Contract No. 24,839, in the amount of \$21,632, for a total project expenditure authority of \$186,083.

Action: Approved the recommendation (July 15, 2014, report from the Public Works Director).

**10. Subject: Service Agreement With "Thresholds To Recovery" For Operation Of The Sobering Center At The Faulding Hotel (520.04)**

Recommendation: That Council approve and authorize the Chief of Police to negotiate and execute a three-year service agreement with Thresholds to Recovery, Inc., to operate the Sobering Center beginning July 1, 2014, and ending June 30, 2017, with annual fees not to exceed \$206,652 in Fiscal Year 2015, \$208,716 in Fiscal Year 2016, and \$215,496 in Fiscal Year 2017.

Action: Approved the recommendation; Agreement No. 24,903 (July 15, 2014, report from the Chief of Police).

**11. Subject: Appropriation Of Funds From The K9 Unit Trust (520.04)**

Recommendation: That Council appropriate \$45,000 from the Police K9 Unit Trust Fund reserves to cover Fiscal Year 2015 expenses related to the annual care, maintenance and training of police dogs for the K9 Program.

Action: Approved the recommendation (July 15, 2014, report from the Chief of Police).

**12. Subject: Rental Agreement For Hilda Ray House (330.04)**

Recommendation: That Council authorize the Parks and Recreation Director to enter into a one-year rental agreement with Tatum Marie Sarinana for the Hilda Ray House at Hilda McIntyre Ray Park, commencing July 1, 2014, and ending June 30, 2015, for a monthly amount of \$1,294.

Action: Approved the recommendation; Agreement No. 24,904 (July 15, 2014, report from the Parks and Recreation Director).

**13. Subject: Professional Services Agreement - Consulting Services For Accounting Software Implementation (210.01)**

Recommendation: That Council authorize the Finance Director to execute a two-year professional services agreement with Lance, Soll & Lunghard, LLP, Certified Public Accountants, to perform consulting services for assistance with implementing the CaseWare Working Papers accounting software, in a total two-year amount not to exceed \$38,865.

Action: Approved the recommendation; Agreement No. 24,905 (July 15, 2014, report from the Finance Director).

**14. Subject: Grant Agreement With South Coast Community Media Access Center (230.02)**

Recommendation: That Council authorize the Finance Director to execute a grant agreement, in a form acceptable to the City Attorney, with the South Coast Community Media Access Center for management of the public and educational access television channels, in an amount of \$295,000, plus an amount for public, educational and government access (PEG) capital expenditures equal to 50% of the actual PEG fees received by the City for Fiscal Year 2015, in an amount not to exceed \$150,208.

Action: Approved the recommendation; Agreement No. 24,906 (July 15, 2014, report from the Finance Director).

**15. Subject: Community Promotion Contract With Visit Santa Barbara (230.02)**

Recommendation: That Council authorize the City Administrator to execute an annual community promotion contract with Visit Santa Barbara to provide marketing services that promote Santa Barbara as a tourism destination, in an amount of \$1,380,000.

Action: Approved the recommendation; Contract No. 24,907 (July 15, 2014, report from the City Administrator).

**16. Subject: Community Promotion Contract With Santa Barbara International Film Festival (230.02)**

Recommendation: That Council authorize the City Administrator to execute an annual community promotion contract with Santa Barbara International Film Festival in the amount of \$76,000, to support film festival programming and year-round administrative expenses.

Action: Approved the recommendation; Contract No. 24,908 (July 15, 2014, report from the City Administrator).

**17. Subject: Community Promotion Contract With Old Spanish Days (230.02)**

Recommendation: That Council authorize the City Administrator to execute a community promotion contract with Old Spanish Days in an amount of \$98,000, covering the period from July 1, 2014, to June 30, 2015.

Action: Approved the recommendation; Contract No. 24,909 (July 15, 2014, report from the City Administrator).

**18. Subject: Community Promotion Contract With Santa Barbara Region Chamber Of Commerce To Support Visitor Information Center (230.02)**

Recommendation: That Council authorize the City Administrator to execute an annual community promotion contract with the Santa Barbara Region Chamber of Commerce in an amount of \$56,000, to support year-round expenses of the Visitor Information Center, covering the period from August 1, 2014, through June 30, 2015.

Action: Approved the recommendation; Contract No. 24,910 (July 15, 2014, report from the City Administrator).

NOTICES

19. The City Clerk has on Thursday, July 10, 2014, posted this agenda in the Office of the City Clerk, on the City Hall Public Notice Board on the outside balcony of City Hall, and on the Internet.
20. Receipt of the Final Report of the 2013-14 Santa Barbara County Grand Jury.

This concluded the Consent Calendar.

**CITY COUNCIL ADMINISTRATIVE AND ATTORNEY REPORTS**

PARKS AND RECREATION DEPARTMENT

**21. Subject: Parks And Recreation 2014-2015 Strategic Drought Response Plan (540.05)**

Recommendation: That Council receive a report on the Parks and Recreation Department's 2014 Strategic Drought Response Plan and water conservation progress to date.

Documents:

- July 15, 2014, report from the Parks and Recreation Director.
- PowerPoint presentation prepared and made by Staff.

Councilmember Francisco left the meeting at 2:30 p.m. and returned at 2:35 p.m.

(Cont'd)

## 21. (Cont'd)

### Speakers:

- Staff: Parks and Recreation Director Nancy Rapp, Parks Manager Santos Escobar, Jr., Assistant Parks and Recreation Director Jill Zachary, Water Resources Manager Joshua Haggmark.
- Members of the Public: Phil Walker, Ethan.

By consensus, the Council received the report and their questions were answered.

## PUBLIC WORKS DEPARTMENT

### 22. **Subject: Bicycle Master Plan Update Community Engagement Process (530.04)**

Recommendation: That Council approve the proposed approach for a community engagement process to update the Bicycle Master Plan.

### Documents:

- July 15, 2014, report from the Public Works Director.
- PowerPoint presentation prepared and made by Staff.

Councilmember Murillo left the meeting at 3:30 p.m. and returned at 3:38 p.m.

### Speakers:

- Staff: Principal Transportation Planner Rob Dayton.
- Members of the Public: Robin Elander, Global Good Impact; Omari Fuller, Sam Franklin, Olivia Offutt, Sergio Garcia and Ed France, Santa Barbara Bicycle Coalition; Kent Epperson, Traffic Solutions; Kim Stanley, Coalition for Sustainable Transportation; Isabelle Greene; Ethan.

### Motion:

Councilmembers Hart/Murillo to direct Staff to return to Council in two weeks with a revised timeline for completion of the Bicycle Master Plan update.

### Amendment Motion:

Councilmembers Hart/Murillo to approve the recommendation but direct Staff to work with the consultant to be hired to shorten the timeline for completion of the Bicycle Master Plan update.

### Vote on Amendment Motion:

Majority voice vote (Noes: Councilmember Francisco; Absent: Councilmember Hotchkiss).

## **RECESS**

4:56 p.m. – 5:05 p.m.

## **PUBLIC HEARINGS**

### **23. Subject: Municipal Code Amendments For Implementation Of Senate Bill 2 Related To Emergency Shelter Zoning (640.09)**

Recommendation: That Council introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Establishing Regulations for Emergency Shelters.

#### Documents:

- July 15, 2014, report from the Community Development Director.
- Proposed Ordinance.
- Affidavit of Publication.
- PowerPoint presentation prepared and made by Staff.

The title of the ordinance was read.

Public Comment Opened:  
5:06 p.m.

Councilmember Murillo left the meeting at 5:21 p.m. and returned at 5:30 p.m.

#### Speakers:

Staff: Project Planner Irma Unzueta, Acting City Administrator Paul Casey, Supervising Transportation Planner Steven Foley, Assistant City Attorney Scott Vincent, Principal Planner John Ledbetter, City Attorney Ariel Calonne.

Public Comment Closed:  
5:40 p.m.

#### Motion:

Councilmembers Murillo/Rowse to approve the recommendation.

#### Vote:

Majority voice vote (Noes: Councilmembers Hart, White; Absent: Councilmember Hotchkiss).

Mayor Schneider pointed out that the adoption of this ordinance will require a supermajority vote and that Councilmember Hotchkiss's position on the issue means it is unlikely he will vote to adopt the ordinance as presented, which designates multiple zones for the siting of emergency shelters.

(Cont'd)

**23. (Cont'd)**

Motion:

Councilmembers Hart/Francisco to limit the development of emergency shelters pursuant to Senate Bill 2 to the C-M Commercial Manufacturing Zone.

Vote:

Majority voice vote (Noes: Councilmembers Murillo, Rowse; Absent: Councilmember Hotchkiss).

Motion:

Councilmembers Francisco/Rowse to reopen the public hearing and continue this item to July 22, 2014.

Vote:

Majority voice vote (Noes: Councilmember Murillo; Absent: Councilmember Hotchkiss).

**COUNCILMEMBER COMMITTEE ASSIGNMENT REPORTS**

Information:

- Councilmember Murillo commented on her attendance at meetings of: 1) the Milpas Community Association, which celebrated its receipt of a neighborhood improvement award; and 2) the Milpas Action Task Force, which discussed continuing neighborhood problems but also expressed support for Casa Esperanza's sobriety requirement. She also congratulated the Spirit of '76 for its coordination of the July 4<sup>th</sup> parade.
- Councilmember White reported on the proceedings of the most recent Water Commission meeting.

**RECESS**

The Mayor recessed the meeting at 6:00 p.m. in order for the Council to reconvene in closed session for Item Nos. 24 and 25. She stated that no reportable action is anticipated.

**CLOSED SESSIONS**

**24. Subject: Conference With Labor Negotiator (440.05)**

Recommendation: That Council hold a closed session, per Government Code Section 54957.6, to consider instructions to City negotiator Kristine Schmidt, Administrative Services Director, regarding negotiations with the Treatment and Patrol Bargaining Unit.

Scheduling: Duration, 30 minutes; anytime

Report: None anticipated

(Cont'd)

**24. (Cont'd)**

Documents:

July 15, 2014, report from the Administrative Services Director.

Time:

6:01 p.m. – 6:04 p.m.

No report made.

**25. Subject: Public Employment/Public Employee Appointment (170.01)**

Recommendation: That Council hold a closed session, per Government Code Section 54957(b)(1), to discuss the appointment for the position of Interim City Administrator and, if appropriate, make a decision regarding that appointment.

Scheduling: Duration, 30 minutes; anytime

Report: Possible

Documents:

July 15, 2014, report from the Mayor.

Time:

6:04 p.m. – 6:15 p.m.

No report made.

**ADJOURNMENT**

Mayor Schneider adjourned the meeting at 6:15 p.m.

SANTA BARBARA CITY COUNCIL

SANTA BARBARA  
CITY CLERK'S OFFICE

\_\_\_\_\_  
HELENE SCHNEIDER  
MAYOR

ATTEST: \_\_\_\_\_  
SUSAN TSCHECH, CMC  
DEPUTY CITY CLERK



# CITY OF SANTA BARBARA CITY COUNCIL MINUTES

## REGULAR MEETING July 22, 2014 COUNCIL CHAMBER, 735 ANACAPA STREET

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### CALL TO ORDER

Mayor Helene Schneider called the meeting to order at 2:00 p.m. (The Finance Committee and Ordinance Committee, which ordinarily meet at 12:30 p.m., did not meet on this date.)

### PLEDGE OF ALLEGIANCE

Mayor Schneider.

### ROLL CALL

Councilmembers present: Dale Francisco, Gregg Hart, Frank Hotchkiss, Cathy Murillo, Randy Rowse, Bendy White, Mayor Schneider.

Councilmembers absent: None.

Staff present: City Administrator James L. Armstrong, City Attorney Ariel Pierre Calonne, City Clerk Services Manager Gwen Peirce.

### CHANGES TO THE AGENDA

City Administrator Armstrong stated the following item is being removed from the agenda.

### CLOSED SESSIONS

#### 13. Subject: Conference With Labor Negotiator (440.05)

Recommendation: That Council hold a closed session, per Government Code Section 54957.6, to consider instructions to City negotiator Kristine Schmidt, Administrative Services Director, regarding negotiations with the Treatment and Patrol Bargaining Unit.

Scheduling: Duration, 30 minutes; anytime

Report: None anticipated

## **PUBLIC COMMENT**

Speakers: William Gentry, Lee Moldaver, Tom Becker, Alex Pujo.

## **CONSENT CALENDAR (Item Nos. 1 – 8)**

The title of the ordinance related to Item No. 2 was read.

Motion:

Councilmembers Murillo/Hotchkiss to approve the Consent Calendar as recommended.

Vote:

Unanimous roll call vote.

## **CONSENT CALENDAR**

### **1. Subject: Minutes**

Recommendation: That Council waive further reading and approve the minutes of the regular meeting of July 1, 2014 and the regular meeting (cancelled) of July 8, 2014.

Action: Approved the recommendation.

### **2. Subject: Adoption of Ordinance for 2014-2017 Fire Association Memorandum of Understanding (440.02)**

Recommendation: That Council adopt, by reading of title only, an Ordinance of the City of Santa Barbara Adopting the 2014-2017 Memorandum of Understanding Between the City of Santa Barbara and the Santa Barbara City Firefighters' Association.

Action: Approved the recommendation; Ordinance No. 5661; Agreement No. 24,916.

### **3. Subject: Fiscal Year 2014 Interim Financial Statements For The Eleven Months Ended May 31, 2014 (250.02)**

Recommendation: That Council accept the Fiscal Year 2014 Interim Financial Statements for the Eleven Months ended May 31, 2014.

Action: Approved the recommendation (July 22, 2014, report from the Finance Director).

**4. Subject: County Of Santa Barbara Strategic Prevention Framework State Incentive Grant (520.04)**

Recommendation: That Council:

- A. Accept \$35,400 from the County of Santa Barbara Alcohol, Drug & Mental Health Services ("ADMHS") Strategic Prevention Framework State Incentive Grant to address underage and excessive drinking, and alcohol related motor vehicle accidents for Fiscal Year 2015; and
- B. Increase appropriations and estimated revenues by \$35,400 in the Police Miscellaneous Grants Fund for Fiscal Year 2015.

Speakers:

Members of the Public: Melissa Wilkins, Council on Alcoholism and Drug Abuse.

Action: Approved the recommendations (July 22, 2014, report from the Police Chief).

**5. Subject: Contract For Design Of The Airfield Electrical Rehabilitation Project (560.04)**

Recommendation: That Council authorize the Public Works Director to execute a Professional Services contract with Mead & Hunt, Inc., in the amount of \$119,500 for design services of the Airfield Electrical Rehabilitation Project, and authorize the Public Works Director to approve expenditures of up to \$12,000 for extra services of Mead & Hunt, Inc., that may result from necessary changes in the scope of work.

Action: Approved the recommendation; Contract No. 24,917 (July 22, 2014, report from the Public Works Director).

**6. Subject: Contract For Design For Influent Pump Station Variable Frequency Drive And Programmable Logic Controller Replacement Project (540.06)**

Recommendation: That Council authorize the Public Works Director to execute a City Professional Services contract with Brown & Caldwell in the amount of \$74,154 for design services for the Influent Pump Station Variable Frequency Drive and Programmable Logic Controller Replacement Project, and authorize the Public Works Director to approve expenditures of up to \$7,415 for extra services of Brown & Caldwell that may result from necessary changes in the scope of work.

Action: Approved the recommendation; Contract No. 24,918 (July 22, 2014, report from the Public Works Director).

**7. Subject: Contract For Construction Of The Marina One Replacement Project Phases 5-8 (570.03)**

Recommendation: That Council:

- A. Award a contract with Bellingham Marine Industries, Inc., in their low bid amount of \$6,851,250 for construction of the Marina One Replacement Project Phases 5-8, Bid No. 3723; and authorize the Public Works Director to execute the contract and approve expenditures up to \$342,563 to cover any cost increases that may result from contract change orders for extra work and differences between estimated bid quantities and actual quantities measured for payment; and
- B. Authorize the Waterfront Director to execute a contract with URS in the amount of \$64,150 for construction support services, and approve expenditures of up to \$6,400 for extra services of URS that may result from necessary changes in the scope of work.

Action: Approved the recommendations; Contract Nos. 24,919 and 24,920 (July 22, 2014, report from the Public Works Director and Waterfront Director).

NOTICES

- 8. The City Clerk has on Thursday, July 17, 2014, posted this agenda in the Office of the City Clerk, on the City Hall Public Notice Board on the outside balcony of City Hall, and on the Internet.

This concluded the Consent Calendar.

**CITY COUNCIL ADMINISTRATIVE AND ATTORNEY REPORTS**

CITY ATTORNEY

**9. Subject: California Voting Rights Act And District Elections Presentation From National Demographics Corporation (110.03)**

Recommendation: That Council consider a presentation concerning District Elections and the California Voting Rights Act, receive public comment, and provide direction to staff regarding possible Charter amendments.

Documents:

- July 22, 2014, report from the City Attorney.
- PowerPoint presentation prepared and made by Douglas Johnson from National Demographics Corporation.

(Cont'd)

**9. (Cont'd)**

Speakers:

- Staff: City Attorney Ariel Calonne.
- National Demographics Corporation: President Douglas Johnson.
- Members of the Public: Cruzito Herrera Cruz, Sebastian Aldana, Jr., Mickey Flacks, Isaac Garrett.

Motion:

Councilmembers Murillo/Hart to proceed with further data analysis on district elections by National Demographics Corporation.

Vote:

Unanimous voice vote.

**PUBLIC HEARINGS**

**10. Subject: Municipal Code Amendments For Implementation Of Senate Bill 2 Related To Emergency Shelter Zoning (640.09)**

Recommendation: That Council:

- A. Continue the Public Hearing opened on July 15, 2014, to further consider proposed amendments to the Santa Barbara Municipal Code establishing regulations for Emergency Shelters; and
- B. Introduce, and subsequently adopt, by reading of title only, either:
  1. An Ordinance of the Council of the City of Santa Barbara Establishing Regulations for Emergency Shelters As a Permitted Use in the R-4, C-P, C-L, C-1, C-2 and C-M Zones (Option 1); or
  2. An Ordinance of the Council of the City of Santa Barbara Establishing Regulations for Emergency Shelters As a Permitted Use in the C-M Zone (Option 2).

Continued from July 15, 2014, Item No. 23.

Documents:

- July 22, 2014, report from the Community Development Director.
- Proposed Ordinances.
- PowerPoint presentation prepared and made by Staff.

The titles of the ordinances were read.

Public Comment Opened:

3:34 p.m.

(Cont'd)

**10. (Cont'd)**

Speakers:

- Staff: Project Planner Irma Unzueta.
- Members of the Public: Jason Colbert, Jose Arturo Ortiz de Martinez-Gallegos.

Public Comment Closed:

3:39 p.m.

Motion:

Councilmember Murillo to approve Recommendation B, Option 1.

Motion died for a lack of second.

Motion:

Councilmembers White/Hotchkiss to approve Recommendation B, Option 2.

Vote:

Majority voice vote (Noes: Councilmember Murillo).

**MAYOR AND COUNCIL REPORTS**

**11. Subject: Request From Mayor Schneider And Councilmember Murillo Regarding 2020 A Year Without War Proclamation (120.04)**

Recommendation: That Council consider the request from Mayor Schneider and Councilmember Murillo regarding a proposal from the Santa Barbara based 2020 A Year Without War organization.

Documents:

July 22, 2014, report from the City Administrator.

Speakers:

Members of the Public: Professor Joe White, Santa Barbara City College, 2020 A Year Without War; Melisa Johnston, 2020 A Year Without War; Benjamin Ivarrison, 2020 A Year Without War.

Motion:

Councilmembers Hotchkiss/Murillo to approve the proposal to send a proclamation in support of 2020 A Year Without War.

Vote:

Majority voice vote (Noes: Councilmember Francisco).

**12. Subject: Appointment Of Ad Hoc City Administrator Recruitment Committee (170.01)**

Recommendation: That Council authorize appointment of an ad hoc Council committee to evaluate options and prepare recommendations to the full Council concerning recruitment processes for the interim and permanent City Administrator.

Documents:

July 22, 2014, report from the Mayor.

Motion:

Councilmembers Hotchkiss/Francisco to appoint Councilmembers Francisco, White and Mayor Schneider to an ad hoc subcommittee for the recruitment processes for the interim and permanent City Administrators.

Vote:

Unanimous voice vote.

## **COUNCILMEMBER COMMITTEE ASSIGNMENT REPORTS**

Information:

- Councilmember White reported on a recent Planning Commission meeting he attended and briefly described the projects being considered.
- Councilmember Hotchkiss spoke regarding his absence from the previous City Council meeting due to emergency surgery.
- Councilmember Rowse reported on his attendance at a recent Downtown Parking Committee meeting.
- Councilmember Murillo commented on two events that she had attended regarding reducing violence in the youth community: 1) Pro Youth Movement; and 2) Gang Task Force meeting.
- Councilmember Hart reported on his attendance at 1) party for Sherrie Fisher's retirement from the Metropolitan Transit District; 2) Beach Erosion Authority for Clean Oceans and Nourishment (BEACON) meeting; and 3) Isla Vista Governance Town Hall Meeting.

## **RECESS**

Mayor Schneider recessed the meeting at 4:21 p.m. in order for the Council to reconvene in closed session for Item Nos. 14 and 15, and she stated that no reportable action is anticipated.

## CLOSED SESSIONS

### 14. Subject: Conference with City Attorney - Anticipated Litigation (160.03)

Recommendation: That Council hold a closed session to consider significant exposure to litigation (one potential case) arising out of the United States Supreme Court's decision in *McCullen v. Coakley*, SBMC Chapter 9.99, and a threat made by the Life Legal Defense Foundation, pursuant to Government Code sections 54956.9(d)(2) & (e)(2)/(3) and take appropriate action as needed.

Scheduling: Duration, 15 minutes; anytime

Report: None anticipated

Documents:

July 22, 2014, report from the City Attorney.

Time:

4:21 p.m. – 5:15 p.m. Mayor Schneider was absent, having announced that she would recuse herself due to a potential conflict of interest.

No report made.

### 15. Subject: Conference with City Attorney - Existing Litigation (160.03)

Recommendation: That Council hold a closed session to confer with the City Attorney regarding existing litigation pursuant to Government Code section 54956.9(d)(1), and take appropriate action as needed.

The existing litigation is:

*Carter, Camille v. City of Santa Barbara*, SBSC Case No. 1438672

*Cotledge, Brittney v. City of Santa Barbara*, USDC Case No. CV12-08623

*Davydova, Svetlana v. City of Santa Barbara*, SBSC Case No. 1418380

*Delgadillo, Lucio Ramirez v. City of Santa Barbara*, SBSC Case No. 1439502

*Denunzio, Tony v. City of Santa Barbara, et. al.*, USDC Case No. CV13-06542  
GW(MANx)

*Gosztyla, Richard v. City of Santa Barbara*, SBSC Case No. 1440151

*Hicks, Joseph M. v. City of Santa Barbara*, USDC Case No. CV13-9016 FMO-RZx

*Holland, Michael J. v. City of Santa Barbara*, USDC Case No. CV13-1711  
AG(SP)

*Martinez, Joseph v. City of Santa Barbara*, SBSC Case No. 1438811

*Miller, Richard v. City of Santa Barbara*, SBSC Case No. 1440331

*Moore, Passion v. City of Santa Barbara*, USDC Case No. CV13-7354 BRO-RZx

*Reyes, Toni M. v. City of Santa Barbara*, SBSC Case No. 1416050

*Thomas, Michael F. v. SBPD, et al.*, USDC Case No. CV13-06659

(Cont'd)

**15. (Cont'd)**

*Wager, Sarelyn v. City of Santa Barbara*, SBSC Case No. 1415112  
*Wikman, Monika v. City of Santa Barbara*, SBSC Case No. 1467345  
*Yang, Jun v. City of Santa Barbara*, SBSC Case No. 1467569  
*Berenstein, Boris v. City of Santa Barbara, et al.*, SBSC Case No. 1466244  
*Glover, Anthony v. City of Santa Barbara, et al.*, SBSC Case No. 14738882  
*Environmental Const., Inc., v. City of Santa Barbara*, SBSC Case No. 1415695  
*Corral, Debra A., et al. v. City of Santa Barbara*, SBSC Case No. 1466439  
*Sipple v. City of Santa Barbara*, LASC BC 462270  
*McKee, Jonathan v. City of Santa Barbara, et al.*, SBSC Case No. 1440173  
*Brost, Luke, etc. et al. v. City of Santa Barbara, et al.*, SBSC Case No. 1342979  
*Jacks, Rolland, et al., v. City of Santa Barbara*, SBSC Case No. 1383959  
*Josfan, Drew v. City of Santa Barbara, et al.*, USDC Case No. CV09-7904-AHM(PLAx)

Scheduling: Duration, 60 minutes; anytime  
Report: None anticipated

Documents:

July 22, 2014, report from the City Attorney.

Time:

5:17 p.m. – 6:05 p.m.

No report made.

**ADJOURNMENT**

Mayor Schneider adjourned the meeting at 6:05 p.m. in memory of Ralph Fertig.

SANTA BARBARA CITY COUNCIL

SANTA BARBARA  
CITY CLERK'S OFFICE

\_\_\_\_\_  
HELENE SCHNEIDER  
MAYOR

ATTEST: \_\_\_\_\_  
GWEN PEIRCE, CMC  
CITY CLERK SERVICES MANAGER



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** July 29, 2014

**TO:** Mayor and Councilmembers

**FROM:** City Administrator's Office

**SUBJECT:** Cancellation Of The August 12, 2014, City Council Meeting

### **RECOMMENDATION:**

That Council cancel the August 12, 2014, City Council meeting.

### **DISCUSSION:**

Upon reviewing future business items, we have determined that the Council Meeting currently scheduled for Tuesday, August 12, 2014, is unnecessary. As a result, staff recommends that the meeting be cancelled.

**PREPARED BY:** Jennifer M. Jennings, Administrator's Office Supervisor

**SUBMITTED BY:** Paul Casey, Assistant City Administrator

**APPROVED BY:** City Administrator's Office



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** July 29, 2014

**TO:** Mayor and Councilmembers

**FROM:** Human Resources, Administrative Services

**SUBJECT:** Classification And Compensation Adjustments

### **RECOMMENDATION:**

That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Amending Resolution No. 14-046, the Position and Salary Control Resolution for Fiscal Year 2015, To Implement Two Position Reclassifications and Two Classification Salary Adjustments Effective July 26, 2014.

### **DISCUSSION:**

This action will achieve several recommended position reclassifications and salary adjustments, as follows:

- Reclassify a vacant part-time Administrative Specialist in Information Systems Division of the Administrative Services Department to a full-time PC/Network Technician II;
- Reclassify a vacant full-time Library Circulation Supervisor in the Library Department to a Senior Librarian;
- Increase the salary range of the City TV Production Specialist classification by 13%; and
- Increase the salary range of the vacant Airport Operations Supervisor by 10%.

These reclassification requests were initiated by the respective departments and, following review, have been recommended by Human Resources. Several of these positions are currently vacant, so staff is recommending that the adjustments be made for this fiscal year so that recruitment can occur at the adjusted classification level.

Information Systems: With a recent vacancy in the Administrative Specialist position in Information Systems, the department reevaluated its needs. The recommended change will combine the vacant half-time Administrative Specialist position (Salary Range 268) with a full-time hourly PC/Network Technician I (Range 297), creating a full-time regular PC/Network Technician II (Range 314). The duties of the former position can be spread among the three PC/Network Technician staff members, and the increase to permanent Help Desk staffing will enhance front line service to computer users. There is no cost

associated with this change, as this will combine budgeted full-time hourly funds with a budgeted half-time position.

Main Library: With a vacancy in the Library Circulation Supervisor position (Salary Range 342) at the Central Library, the department reevaluated its needs. Reclassifying this position to a Senior Librarian (Range 375), which requires a master's degree in library science and professional-level expertise in collection development and patron service, will allow the department to continue its evolution to a "single point of service" desk, part of the Library's *Santa Barbara Way* plan for library modernization. The annual cost of this change is estimated at \$13,458. No additional funds are requested for Fiscal Year 2015, since the additional cost will be met through salary savings from staff vacancies.

City TV: Following a request to examine the salary alignment of the City TV Production Specialist, an adjustment to the salary for this position is recommended. Staff reductions in City TV during the recession increased the scope of duties of this position. Further, the position has evolved with new technologies related to the digitization of programming and the inclusion of programming across many mediums other than television. Based on the duties and responsibilities, an increase of 13% from Salary Range 316 to Range 342 is recommended. The annual cost of this change is estimated at \$9,282. No additional funds are requested for Fiscal Year 2015, since the additional cost will be met through salary savings from other vacancies in the City Administrator's Office.

Airport Operations: Following an unsuccessful recruitment effort, the Airport Department asked Human Resources to examine the internal and market alignment of the new Airport Operations Supervisor classification. Based on the duties and responsibilities, an increase of 10% from Salary Range 351 to Range 371 is recommended. The annual cost of this change is estimated at \$8,253. No additional funds are requested for Fiscal Year 2015, since the cost can be covered through the Airport's budgeted and unexpended appropriated reserves.

#### **BUDGET/FINANCIAL INFORMATION:**

The annual cost impact of these changes will be \$13,458 for the Library and \$9,282 for City TV, for a total of \$22,740 to the General Fund. The annual cost to the Airport Fund will be \$8,253. No increased funding is necessary for Fiscal Year 2015, as the costs can be covered with other anticipated budget savings.

**SUBMITTED BY:** Kristine Schmidt, Administrative Services Director

**APPROVED BY:** City Administrator's Office

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF THE COUNCIL OF THE CITY OF SANTA BARBARA AMENDING RESOLUTION NO. 14-046, THE POSITION AND SALARY CONTROL RESOLUTION FOR FISCAL YEAR 2015, TO IMPLEMENT TWO POSITION RECLASSIFICATIONS AND TWO CLASSIFICATION SALARY ADJUSTMENTS EFFECTIVE JULY 26, 2014.

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SANTA BARBARA THAT Resolution No. 14-046, the Position and Salary Control Resolution for Fiscal Year 2015, is hereby amended as follows:

	<u>Full-Time Positions Authorized</u>	<u>Part-Time Positions Authorized</u>
<u>Administrative Services:</u>		
<u>Information Systems</u>		
<del>Administrative Specialist</del>		0.5
PC/Network Technician II	<del>2</del> <b>3</b>	
Division Total	14 <b>15</b>	
Department Total	27 <b>28</b>	0.5
 <u>Library:</u>		
Library Circulation Supervisor	4	
Senior Librarian	4 <b>2</b>	
Department Total	33 <b>33</b>	

<u>Classification Title</u>	<u>FLSA</u>	<u>Service Status</u>	<u>Unit</u>	<u>Range</u>	<u>Biweekly Salary</u>
Airport Operations Supervisor	E	U	S	<del>351</del> <b>371</b>	<del>2395.01 – 2911.14</del> <b>2646.23 – 3216.51</b>
City TV Production Specialist	N	C	G	<del>346</del> <b>371</b>	<del>2011.37 – 2444.83</del> <b>2646.23 – 3216.51</b>



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** July 29, 2014

**TO:** Mayor and Councilmembers

**FROM:** Administration Division, Finance Department

**SUBJECT:** Statement Of Investment Policy And Delegation Of Investment Authority For Fiscal Year 2015

### **RECOMMENDATION:**

That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Adopting the Investment Policy for the City and Rescinding Resolution No. 13-058.

### **DISCUSSION:**

California Government Code (State Code) Section 53600 establishes legally permitted investments for local governments statewide. While not required by the State Code, each year the City Council adopts a Statement of Investment Policy, which further defines the suitable and authorized investments specifically for the City. In some cases, the City's policy is more restrictive than the State Code. Moreover, the policy serves as a guide for setting and achieving the City's own investment objectives and defines guidelines for the management of the portfolio.

Except for County governments, the State Code does not contain any provisions specifying what must be included in the investment policy of a local agency. The City has developed a comprehensive investment policy that includes all critical components recommended by various professional agencies and organizations, and the policy has been awarded several certifications. Therefore, staff recommends that the policy be updated annually to incorporate any statutory and/or internal policy changes, thereby maintaining this standard of excellence.

If a local agency's policy is submitted to the legislative body, it must be an agenda item at a public meeting and should be approved by a vote of the legislative body no later than the end of the first quarter of the year to which it applies.

Revisions to the annual investment policy are made each year, as needed, to incorporate policy or statutory changes affecting the City's investment program and daily investing activities. Policy revisions are generally technical in nature, such as

process changes or language clarifications. Statutory changes are changes in state law affecting allowable investments or procedures related to investing activities.

### **Statutory Change Not Recommended**

There was one statutory change made effective September 6, 2013. Government Code Sections 53601.8 and 53635.8 were amended, repealed and added to authorize local agencies to invest up to 30% of their surplus funds in deposits at a commercial or savings bank, saving and loan or credit union using a private sector deposit placement service. The changes broaden the use of placement services to deposits, while previously only the placement of certificates of deposit was authorized. Basically, these code sections were originally added in 2007 and authorized only the placement of certificates of deposits. This change will sunset on January 1, 2017.

The primary example of a private placement service is called the Certificate of Deposit Account Registry Service or "CDARS." CDARS consists of a network of banks around the country. Through a local CDARS member bank, the City could purchase certificates of deposit from other banks around the country. Each of the certificates of deposit would be for less than \$250,000, thus ensuring that all principal and interest is fully covered by federal deposit insurance. The current investment policy allows for the investment in certificates of deposits and requires collateralization.

At this time, staff recommends that this "permitted investment" not be added to the City's Investment Policy. Staff has not evaluated private placement services. Staff may return to Finance Committee to recommend including it in the policy in the future. However, staff believes that, despite the federal deposit insurance, the program should be fully evaluated before recommending a change.

### **Staff Recommended Administrative Changes**

There is sufficiently broad language in the policy to allow for any changes that may occur during the year to be accommodated on an administrative basis rather than a formal revision to the policy. The policy, as submitted, contains a minor administrative change that was made since the policy was adopted by Council in July 2013. Section IV (C) Standards of Care/ Delegation of Authority was revised to remove the reference to the Assistant Finance Director since the position no longer exists.

By separate action, Council formally delegates authority to the City Treasurer to invest and reinvest funds and to sell or exchange securities for a one-year period, as specified on page 3 of the proposed Investment Policy. Management and oversight of the investment program is delegated to the Finance Director. The Treasury Manager is authorized to conduct daily investment activities under supervision of the Finance Director. All investment purchases and sales require signature approval from the Finance Director or City Administrator (or their designee) by the close of business on the next business day following the purchase or sale.

**ATTACHMENT:** Fiscal Year 2015 Statement of Investment Policy

**PREPARED BY:** Genie Wilson, Treasury Manager

**SUBMITTED BY:** Robert Samario, Finance Director

**APPROVED BY:** City Administrator's Office



**City of Santa Barbara  
Finance Department**

**Statement of Investment Policy**

**Fiscal Year 2015**

City of Santa Barbara  
ANNUAL STATEMENT OF INVESTMENT POLICY  
Fiscal Year 2015

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City of Santa Barbara  
ANNUAL STATEMENT OF INVESTMENT POLICY  
Fiscal Year 2015

**I. MISSION STATEMENT**

It is the policy of the City to invest public funds in a manner that will provide maximum security, adequate liquidity and sufficient yield, while meeting the daily cash flow demands of the City and conforming to all statutes and regulations governing the investment of public funds.

**II. SCOPE**

This investment policy applies to all the financial assets of City of Santa Barbara. These funds are accounted for in the City's audited Comprehensive Annual Financial Report. If the City invests funds on behalf of another agency and, if that agency does not have its own policy, the City's investment policy shall govern the agency's investments.

**A. Pooling of Funds**

Except for cash in certain restricted and special funds, the City shall consolidate cash balances from all funds to maximize investment earnings. Investment income shall be allocated to various funds as identified in the investment procedures manual in accordance with generally accepted accounting principles.

**B. Funds Included by this Policy**

General Fund

Special Revenue Funds

Capital Project Funds

Enterprise Funds

Internal Service Funds

Trust and Agency Funds

Any new fund created by City Council unless specifically exempted

**C. Funds Excluded from this Policy**

1. City's Service Retirement System Fund. This fund is managed separately under Article XVA of the 1926 Charter.

2. Bond Proceeds. Investment of bond proceeds shall be subject to the conditions and restrictions of bond documents and are not governed by this policy. Bond investment conditions and restrictions shall be reviewed by the Finance Committee and forwarded to City Council for approval.

**III. GENERAL OBJECTIVES**

The primary objectives, in priority order, of the City's investment activities are safety, liquidity and yield.

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**A. Safety**

Preservation of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective shall be to mitigate credit risk and interest rate risk. To attain this objective, the City shall diversify its investments by investing funds among several financial institutions and a variety of securities offering independent returns.

1. Credit Risk

The City shall minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the safest types of securities
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business
- Diversifying the investment portfolio so as to minimize the impact any single industry/investment class can have on the portfolio

2. Interest Rate Risk

To minimize the negative impact of material changes in the market value of securities in the portfolio, the City shall:

- Structure the investment portfolio so that securities mature concurrent with cash needs to meet anticipated demands, thereby avoiding the need to sell securities on the open market prior to maturity
- Invest operating funds primarily in shorter-term securities, money market mutual funds, and the State of California's Local Agency Investment Fund (LAIF)

**B. Liquidity**

The City's investment portfolio shall remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated without requiring a sale of securities. Since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets. A portion of the portfolio also may be placed in money market mutual funds or LAIF which offer same-day liquidity for short-term funds.

**C. Yield (Return on Investment)**

The City's investment portfolio shall be designed with the objective of attaining a benchmark rate of return throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the liquidity characteristics of the portfolio. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

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**IV. STANDARDS OF CARE**

**A. Prudence**

The standard of prudence to be used by City investment officials shall be the “Prudent Investor Standard” in that a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the City, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of an enterprise of a like character and with like aims. This standard shall be applied in the context of managing the overall portfolio. City investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

**B. Ethics and Conflicts of Interest**

Officers and employees involved in the City investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or that could impair their ability to make impartial investment decisions. City employees and investment officials shall disclose any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any personal financial/investment positions that could be related to the performance of the City immediately to the City of Santa Barbara Treasurer and annually to the Fair Political Practices Commission. City employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

**C. Delegation of Authority**

Authority to manage the City's investment program is derived from the Charter of the City of Santa Barbara. City Council shall delegate to the Treasurer, for a 1-year period, the authority to invest or to reinvest funds, or to sell or exchange securities. The Treasurer shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires.

Management responsibility for the investment program is delegated to the Finance Director who shall establish a separate written investment procedures manual. The operation of the investment program shall be consistent with this policy and the investment procedures manual. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director. The Treasury Manager is authorized to conduct investment related activities, under the supervision of the Director of Finance, on behalf of the City. All investment purchases and sales require signature approval from the Treasurer and Finance Director or their designee, by the close of business on the next business day following the purchase or sale.

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The following documents are by reference incorporated in the investment procedures manual:

1. Listing of authorized personnel
2. Relevant investment statutes and ordinances
3. Repurchase agreements and tri-party agreements
4. Listing of authorized broker/dealers and financial institutions
5. Credit ratings and/or reports for securities purchased and financial institutions used
6. Safekeeping agreements
7. Sample investment reports
8. Investment accounting documents
9. Methodology for calculating rate of return
10. Banking services contracts
11. Cash flow forecasting
12. Collateral/depository agreements

**D. Internal Controls**

The Finance Director is responsible for establishing and maintaining a system of written internal controls. These controls shall be reviewed annually with an independent external auditor who will notify the City Council if there is a material non-compliance with its policies and procedures. The internal controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent action by City employees and officers. The internal structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

The internal controls shall address the following points:

1. Control of collusion
2. Separation of transaction authority from accounting and record-keeping
3. Custodial safekeeping
4. Delivery versus payment (DVP)
5. Clear delegation of authority to subordinate staff members
6. Written confirmation of transactions for investments and wire transfers
7. Wire transfer agreements

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**V. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

The Finance Director shall establish selection criteria for pre-approval of financial institutions and security broker/dealers to do business with the City of Santa Barbara. The Finance Director shall maintain a list of City approved financial institutions and security broker/dealers who are authorized to provide investment services to the City. These may include primary dealers, or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule). To qualify for consideration, a financial institution or a security broker/dealer must also have an office in California and that office must perform the transactions with the City.

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following to the Finance Director as appropriate:

- Current audited financial statements
- Proof of Financial Industry Regulatory Authority (FINRA), formerly National Association of Security Dealers (NASD), certification
- Trading resolution
- Complete broker/dealer questionnaire
- Proof of State of California registration
- For banking institutions, a statement of compliance with the Federal Reserve Bank of New York's capital guideline
- Statement of having read, understood and agreeing to comply with the City's investment policy and depository contracts

The Finance Director shall annually review each of the approved financial institutions and security broker/dealers selected for current State of California registrations and financial condition.

**VI. SAFEKEEPING AND CUSTODY**

All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis which will ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities shall be held by a third-party custodian designated by the Finance Director and evidenced by safekeeping receipts with a written custodial agreement. The only exception to the foregoing shall be depository accounts and securities purchases made with: LAIF, time certificates of deposit, and money market mutual funds, since the purchased securities are not deliverable. Settlement instructions sent to the safekeeping agent shall require dual authorization. The Treasurer and the Finance Director shall be bonded to protect the public against possible embezzlement and malfeasance. Safekeeping procedures shall be reviewed annually by an independent external auditor and any irregularities noted should be reported promptly to the Treasurer and City Council.

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**VII. SUITABLE AND AUTHORIZED INVESTMENTS**

The City shall be governed by the California Government Code, Sections 53600 et seq. If the Code is amended to allow additional investments or is changed regarding the limits on certain categories of investments, the City is authorized to conform to the changes in the revised Code, provided that the changes are not specifically prohibited by the City's policy. The City shall be required to present those changes in the annual review of the policy and to incorporate the new legislation within the policy. Surplus funds are defined as funds not required for the immediate necessities of the City and include investments in individually managed portfolio(s), money market fund(s) and/or State LAIF, and all portfolio limitations and restrictions shall apply to this aggregate amount. For purposes of compliance with the California Government Code and the City's Investment Policy, the credit rating requirement for medium-term notes, deposit notes, bank notes and commercial paper shall be based on the quality ratings at the time of purchase. If the quality rating of the issuer is downgraded, subsequent to purchase, by any of the Nationally Recognized Statistical-Rating Organizations below "A", or its equivalent, it shall be reported to the Finance Committee and City Council with a recommendation, and ongoing information shall be provided if the bond is not sold. Percentage limitations of surplus funds invested are noted for the various investment instruments. Where there is a specified percentage limitation for a particular category of investments, that percentage is applicable only at the date of purchase. A later increase or decrease in a percentage resulting from a change in values or assets shall not constitute a violation of that restriction.

The City is empowered by statute to invest in the following types of securities and are those that the investment managers are trained and competent to handle.

**A. Investment Types**

1. Bonds, notes, or other forms of indebtedness issued by the City, including bonds payable solely out of the revenues from a revenue producing property owned, controlled, or operated by the City or by a department, board, agency, or authority of the local agency.
2. United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.
3. Federal Agency or United States government-sponsored enterprise obligations (GSE), participations, or other instruments.
4. State of California and Local Agency Obligations. Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state; and bonds, notes, warrants, or other evidence of indebtedness of any local agency within this state including bonds payable solely out of the revenues from revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency. Notes eligible for investment, other than those issued by the City or operated by a department, board, agency, or authority of the local agency, shall be rated in a

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category of "A" or its equivalent or better by two Nationally Recognized Statistical-Rating Organizations.

5. Medium-Term Notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of 5 years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Purchases of medium-term notes may not exceed 30 percent of the City's surplus funds. Notes eligible for investment shall be rated in a category of "A" or its equivalent or better by two Nationally Recognized Statistical-Rating Organizations. Investments in medium-term notes for any single non-government issuer shall be limited to no more than 5 percent of surplus funds for issuers rated "AA" or its equivalent or better by two Nationally Recognized Statistical-Rating Organizations, and to no more than 3 percent for issuers rated "A" or its equivalent or better by two Nationally Recognized Statistical-Rating Organizations.
6. Bankers Acceptances otherwise known as bills of exchange or time drafts, drawn on and accepted by a commercial bank, which are eligible for purchase by the Federal Reserve System. Purchased bankers acceptances may not exceed 180 days maturity or 40 percent of the City's surplus funds, and no more than 10 percent of the City's surplus funds may be invested in the bankers' acceptances of any single commercial bank.
7. Commercial Paper of "prime" quality of the highest ranking or the highest letter and number rating as provided for by a Nationally Recognized Statistical-Rating Organization. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (a) or paragraph (b):
  - a. The entity is organized and operating in the United States as a general corporation and has total assets in excess of \$500,000,000. In addition, its debt other than commercial paper, if any, must be rated "A" or higher by a Nationally Recognized Statistical-Rating Organization.
  - b. The entity is organized within the United States as a special purpose corporation, trust, or limited liability company and has a program wide credit enhancement including, but not limited to, over collateralization, letters of credit, or surety bond. In addition, the entity has commercial paper that is rated "A-1" or higher, or the equivalent, by a Nationally Recognized Statistical-Rating Organization.

Eligible commercial paper shall have a maximum maturity of 270 days or less. The City may not invest more than 25 percent of its surplus funds in commercial paper, and the City may purchase no more than 10 percent of the outstanding eligible commercial paper of any single issuer.

8. Negotiable Certificates of Deposit issued by a nationally or state-chartered bank or savings association or federal association or a state or federal credit union or by a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed 15 percent of the City's surplus money invested and shall be limited to no more than 3 percent of any single issuer.

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Deposit notes and bank notes purchased through a broker or dealer shall be included with negotiable certificates of deposit in calculating allowable maximum percentages. Negotiable certificates of deposit, deposit notes and bank notes shall be rated in a category of "A" or its equivalent or better by two Nationally Recognized Statistical-Rating Organizations.

9. Time Deposits. The City may invest in non-negotiable Certificates of Deposit at commercial banks and savings and loan associations that are collateralized in accordance with the California Government Code. To be eligible to receive City funds, the depository institution shall have received an overall rating of not less than "satisfactory" in its most recent evaluation of its record of meeting the credit needs of California's communities, including low and moderate-income neighborhoods. In selecting depositories, the credit worthiness of institutions shall be considered. Banks and Savings and Loan Associations seeking to establish an investment relationship with the City shall submit an audited financial report that shall be reviewed for compliance with the City's investment standards. Any institution not providing an audited annual financial report shall be removed from the approved list and all funds maturing will be withdrawn. A list of eligible institutions shall be maintained in the investment procedures manual. Qualification shall be determined by the following criteria:
  - a. Tangible capital must equal or exceed 1.5 percent; core capital must equal or exceed 4 percent; and, risk-based capital must equal 8 percent of assets adjusted for assigned risk-weightings.
  - b. Return on Assets of a minimum of 0.5 percent; a Return on Equity of a minimum of 8 percent; an Equity to Assets Ratio of a minimum of 5 percent; and, City investments shall be no greater than 0.5 percent of the total assets of the depository.
  - c. Independent auditor's statement must have a clean opinion.
10. Savings accounts. Savings accounts when used in conjunction with the City's checking accounts at a qualified bank where funds are collateralized in accordance with the California Government Code.
11. U. S. Government money market funds registered with the Securities and Exchange Commission and which comply with rule 2a7 of the Investment Company Act of 1940. The fund must be comprised of only U.S. Treasury bills, notes and bonds, repurchase agreements and obligations issued or guaranteed as to principal and interest by the U.S. Government or its agencies or instrumentalities. The percentage of repurchase agreements in the fund shall be reviewed and approved based on the fund's policy limits. The dollar weighted average maturity of the portfolio shall be less than 90 days and the portfolio is managed to maintain a \$1.00 share price. Also, the fund shall meet either of the following criteria: (a) attained the highest ranking or the highest letter and numerical rating provided by not less than two Nationally Recognized Statistical-Rating Organizations; (b) retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than 5 years' experience managing

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money market mutual funds with assets under management in excess of \$500,000,000. Purchase of securities authorized by this section shall not exceed 20 percent of the City's surplus money invested and no more than 10 percent may be invested in any single money market fund.

12. Repurchase Agreements. Investments in repurchase agreements or reverse repurchase agreements or securities lending agreements of any securities authorized by the Code, so long as the proceeds of the repurchase agreement are invested solely to supplement the income normally received from these securities. The City shall adopt as a standard the Bond Market Association Master Repurchase Agreement and shall maintain a list of approved counterparts and limit counter parties to primary dealers rated "A" or better by two Nationally Recognized Statistical-Rating Organizations. Reverse repurchase agreements and securities lending agreements shall require City Council authorization separate from City Council approval of this policy. Securities lending agreements shall include the following safeguard measures: terms of lending agreements, indemnification provisions, reinvestment guidelines, liquidity provisions, credit risks and monitoring requirements. Additionally, any securities lending agreement shall be reviewed by the City Attorney to ensure the City's interests are properly protected.
  - a. Investments in repurchase agreements may be made, on any authorized investment, when the term of the agreement does not exceed 1 year.
  - b. Reverse repurchase agreements or securities lending agreements may be utilized when the security to be sold on the reverse repurchase agreement or securities lending agreement has been owned and fully paid for by the City for a minimum of 30 days prior to sale; the total of all reverse repurchase agreements on investments owned by the City does not exceed 20 percent of the base value of the portfolio; and the agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between sale of a security using a reverse repurchase agreement and the final maturity date of the same security.
13. Local Agency Investment Fund (LAIF). The City may invest in LAIF, established by the California State Treasurer, up to the \$50,000,000 maximum permitted by State law, effective November 16, 2009; therefore, there is a \$50,000,000 limit for the City of Santa Barbara. The City's investment in LAIF is based on, among other criteria, the following information provided by LAIF: a written statement of portfolio management goals, objectives and policies, including a description of eligible investment securities; a disclosure of LAIF's safekeeping practices; eligible LAIF participants, the monthly transaction limit, and minimum and maximum deposit and withdrawal amounts permitted; calculation of quarterly earnings and apportionment, including gains and losses; disclosure of administrative costs and the assessment process; monthly statements of the City's

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transaction activity and balances; monthly summaries of LAIF investment data, including market valuation and accrued interest; and a description of the audit process. At least quarterly, the Finance Director shall report to the Finance Committee on the composition of the LAIF portfolio.

The California Government Code states that moneys placed for deposit in LAIF are in trust in the custody of the State Treasurer and cannot be borrowed or be withheld from the City. Further, the right of the City to withdraw its deposited money from the LAIF upon demand may not be altered, impaired, or denied in any way by any state official or agency based upon the State's failure to adopt a budget by July 1 of each new fiscal year.

**B. Collateralization**

Collateralization shall be required on two types of investments: certificates of deposit and repurchase (and reverse) agreements. A collateral agreement must be current and on file before any funds can be transferred for collateralized certificates of deposit. Collateral shall be held by an independent third party with whom the City has a current written custodial agreement. A clearly marked evidence of ownership (*safekeeping receipt*) must be supplied to the City and retained. The right of collateral substitution is granted.

1. Certificates of Deposit

- a. Government Securities used as collateral require 102 percent of market value to the face amount of the deposit
- b. Promissory Notes secured by first trust deeds used as collateral require 150 percent of market value to the face amount of the deposit
- c. Irrevocable Letters of Credit issued by the Federal Home Loan Bank of San Francisco require 105 percent of market value to the face amount of the deposit

2. Repurchase and Reverse Repurchase Agreements

- a. Only U.S. Treasury securities or Federal Agency securities are acceptable collateral. All securities underlying repurchase agreements must be delivered to the City's custodian bank versus payment or be handled under a properly executed tri-party repurchase agreement. The total market value of all collateral for each repurchase agreement must equal or exceed 102 percent of the total dollar value of the money invested by the City for the term of the investment. For any repurchase agreement with a term of more than 1 day, the value of the underlying securities must be reviewed on an ongoing basis according to market conditions. Market value must be calculated each time there is a substitution of collateral.

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- b. The City or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to the repurchase agreement.

**C. Investments Not Approved**

Any security type or structure not specifically approved by this policy is hereby prohibited. Security types, which are thereby prohibited include, but are not limited to: investment pools (except State LAIF), shares of beneficial interest issued by diversified management companies (except U. S. Government money market funds), collateralized mortgage obligations (CMO's), mortgage pass-through securities, reverse repurchase agreements used as a leveraging vehicle, "exotic" derivatives structures such as range notes, dual index notes, inverse floating-rate notes, leveraged or de-leveraged floating-rate notes, interest-only strips that are derived from a pool of mortgages and any security that could result in zero interest accrual if held to maturity, or any other complex variable or structured note with an unusually high degree of volatility or risk.

**D. Exceptions to Prohibited and Restricted Investments**

The City shall not be required to sell securities prohibited or restricted in this policy, or any future policies, or prohibited or restricted by new State regulations, if purchased prior to their prohibition and/or restriction. Insofar as these securities provide no notable credit risk to the City, holding of these securities until maturity is approved. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

**VIII. INVESTING PARAMETERS**

**A. Diversification**

The City shall diversify its investments by security type, issuer, maturity, and financial institutions. No percentage limitations are established for United States government, United States government agencies and United States government sponsored enterprises; however percentage limitations are established for other permitted investments, as noted in Section VII of this policy. The investments shall be diversified by limiting investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities), limiting investment in securities that have higher credit risks, and investing in securities with varying maturities.

The City recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to control risk. Investment managers are expected to display prudence in the selection of securities as a way to minimize default risk. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. To control market price risks, volatile investment instruments shall be avoided. To control risks of illiquidity, a minimum of 10 percent of the total portfolio shall be held in

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highly marketable U.S. Treasury Bills and Notes and/or the State of California Local Agency Investment Fund and/or Money Market Funds and/or securities maturing within 90 days.

**B. Maximum Maturities**

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Where there is no specified maturity limitation on an investment, no investment shall be made in any security, which, at the time of the investment, has a term remaining to maturity in excess of 5 years, unless the City Council has granted express authority to make that investment no less than 3 months prior to the investment.

In addition to the 5 year limitation on investments specified in this policy, the average maturity of the City's combined portfolio shall not exceed 2.5 years without prior approval of the City Council.

**IX. REPORTING**

The Treasurer shall submit investment reports to the City Council that provide a clear picture of the status of the current investment portfolio and shall contain sufficient information to permit an independent organization to evaluate the performance of the investment program. Based on the discretion of Finance Committee, an independent advisor may be contracted, from time to time to perform one or more of the following functions: confirm that the portfolio is in compliance with the Government Code of the State of California and with the Statement of Investment Policy of the City of Santa Barbara; present an evaluation of the portfolio and investment strategy recommendations; and, provide any other information that may be helpful to Finance Committee in their review of the portfolio.

**A. Monthly Reporting to City Council**

The Treasurer shall submit to City Council, within 30 days following the end of the month, an investment report that summarizes all securities in the portfolio and a separate listing of investment transactions occurring during the month. The report shall be prepared by the Treasury Manager and approved by the Finance Director. The report shall include:

1. Investment type
2. Purchase date
3. Maturity date
4. Credit quality
5. Coupon and yield
6. Book value
7. Market value
8. Book gain/loss

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9. Market gain/loss
10. Source of valuation
11. Average days to maturity
12. Variable rate(s) or call features

**B. Quarterly Reporting to City Council**

In addition to the components required in the monthly investment report, a narrative shall accompany the portfolio report addressing noteworthy items, deviations from the investment policy, comments on the fixed income markets and economic conditions, possible changes in the portfolio going forward, and thoughts on investment strategies. The quarterly report shall also include a statement of compliance with the investment policy and a statement of the ability to meet expenditures for the next 6 months (or an explanation as to why sufficient money shall, or may, not be available).

**C. Performance Standards**

The investment portfolio shall be managed in accordance with the parameters specified within this policy and always with consistently safe and prudent treasury management. Securities shall not be sold prior to maturity with the following exceptions:

- A security with declining credit sold early to minimize loss of principal
- A security swap that would improve the quality, yield, or target duration in the portfolio
- Unforeseen liquidity needs of the portfolio require that the security be sold

**1. Market Yield (Benchmark)**

The City's overall investment strategy is passive: investments are generally held to maturity. The quarter-to-date LAIF apportionment rate, the 3-month U.S. Treasury Bill and the 2-year U.S. Treasury Note shall also be considered useful benchmarks of the City's portfolio performance.

**2. Marking to Market**

The market value of the portfolio shall be calculated at least monthly and a statement of the market value of the portfolio shall be issued at least quarterly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed. In defining market value, consideration shall be given to pronouncements from the Government Accounting Standards Board (GASB) that address the reporting of investment assets and investment income for all investment portfolios held by governmental entities. The fair value of all securities reported in the City's portfolio is based on currently quoted market prices.

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**X. INVESTMENT POLICY COMPLIANCE AND ADOPTION**

**A. Policy Compliance and Changes**

Any deviation from the policy shall be reported to Finance Committee at the next scheduled meeting and to City Council as part of the monthly review of the portfolio. The Treasurer shall promptly notify Finance Committee and City Council of any material change in the policy and any modifications to the policy must be approved by Finance Committee and City Council.

**B. Annual Statement of Investment Policy**

The Treasurer shall render a written Statement of Investment Policy that shall be reviewed at least annually by Finance Committee and City Council to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends. City Council shall consider the annual Statement of Investment Policy and any changes therein at a public meeting. The Statement of Investment Policy shall be adopted by resolution of City Council.

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GLOSSARY OF INVESTMENT TERMS

**AGENCY:** A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government (i.e. Government National Mortgage Association). Federally sponsored agencies (FSA's) are backed by each particular agency with a market perception that there is an implicit government guarantee (i.e. Federal National Mortgage Association).

**ASK:** The price at which securities are offered for sale; also known as offering price.

**BENCHMARK:** A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

**BID:** The price offered by a buyer of securities. (When you are selling securities, you *ask* for a bid.)

**BOND PROCEEDS:** The money paid to the issuer by the purchaser or underwriter of a new issue of municipal securities. These moneys are used to finance the project or purpose for which the securities were issued and to pay certain costs of issuance as may be provided in the bond contract.

**BOOK VALUE:** The value at which a debt security is shown on the holder's balance sheet. Book value is often acquisition cost plus/minus amortization and accretion, which may differ significantly from the security's current value in the market.

**BROKER:** Someone who brings buyers and sellers together and is compensated for his/her service.

**CERTIFICATE OF DEPOSIT (CD):** A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs are typically negotiable.

**COLLATERAL:** Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

**COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR):** The official annual financial report for a public agency. It includes combined statements for each individual fund combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and detailed statistical section.

**CREDIT QUALITY:** The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by a Nationally Recognized Statistical-Rating Organization.

**CREDIT RISK:** The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

**CUSTODIAN:** A bank or other financial institution that keeps custody of stock certificates and other assets.

**CURRENT YIELD (CURRENT RETURN):** A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

**DEALER:** A dealer, as opposed to a broker, acts as a principal in all transactions, by buying and selling for his/her own account.

**DELIVERY VERSUS PAYMENT:** There are 2 methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment, also referred to as "cash on delivery", is

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delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

**DERIVATIVES:** (1) financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

**DIVERSIFICATION:** Dividing investment funds among a variety of security types by sector, maturity and quality ratings offering independent returns.

**DURATION:** A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

**FAIR VALUE:** The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**FEDERAL CREDIT AGENCIES:** Agencies of the Federal Government set up to supply credit to various classes of institutions and individuals, e.g., savings and loan associations, small-business firms, students, farmers, farm co-operatives, and exporters.

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC):** The federal agency that insures bank deposits up to \$250,000 per deposit at participating banking institutions. In an effort to increase consumer confidence in the banking system, the previous \$100,000 insurance limit was temporarily increased to \$250,000 in 2008, extended to 2013, and then permanently increased on July 21, 2010 with the passage of the Wall Street Reform and Consumer Protection Act.

**FEDERAL HOME LOAN BANKS (FHLB):** Government sponsored wholesale banks (currently 12 regional banks) that lend funds and provide correspondent banks services to member commercial banks, thrift institutions, credit unions and insurance companies.

**FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA):** FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages.

**FEDERAL OPEN MARKET COMMITTEE (FOMC):** Consists of 7 members of the Federal Reserve Board and 5 of the 12 Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

**FEDERAL RESERVE SYSTEM:** The central bank of the United States created by Congress and consisting of a 7 member Board of Governors in Washington, D.C., 12 Regional Banks and approximately 5,700 commercial banks that are members of the system.

**GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB):** A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae):** Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers,

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GLOSSARY OF INVESTMENT TERMS

commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA, or FMHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

**GOVERNMENT SECURITIES:** An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes, and Bonds."

**INTEREST RATE RISK:** The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

**INTERNAL CONTROLS:** An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points:

- **Control of collusion** - Collusion is a situation where 2 or more employees are working in conjunction to defraud their employer.
- **Separation of transaction authority from accounting and record keeping** - By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
- **Custodial safekeeping** - Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.
- **Avoidance of physical delivery securities** - Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
- **Clear delegation of authority to subordinate staff members** - Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
- **Written confirmation of transactions for investments and wire transfers** - Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.
- **Development of a wire transfer agreement with the lead bank and third-party custodian** - The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

**LIQUIDITY:** A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

**LOCAL AGENCY INVESTMENT FUND (LAIF):** Chapter 730, Statutes of 1976 of the State of California, established the Local Agency Investment Fund. This fund enables local governmental

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agencies to remit money not required for immediate needs to the State Treasurer for the purpose of investment. In order to derive the maximum rate of return possible, the State Treasurer has elected to invest these monies with State monies as a part of the Pooled Money Investment Account. Each local governmental unit has the exclusive determination of the length of time its money will be on deposit with the State Treasurer. At the end of each calendar quarter, all earnings derived from investments are distributed by the State Controller to the participating government agencies in proportion to each agency's respective amounts deposited in the Fund and the length of time such amounts remained therein. Prior to the distribution, the State's costs of administering the program are deducted from the earnings.

**MARK-TO-MARKET:** The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

**MARKET RISK:** The risk that the value of a security will increase or decrease as a result of changes in market conditions.

**MARKET VALUE:** The current price at which a security is trading and could presumably be purchased or sold at that particular point in time.

**MASTER REPURCHASE AGREEMENT:** A written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

**MATURITY:** The date upon which the principal or stated value of a financial obligation is due and payable.

**MONEY MARKET MUTUAL FUND:** Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

**MUTUAL FUND:** An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by Securities and Exchange Commission (SEC) disclosure guidelines.

**NATIONAL ASSOCIATION OF SECURITIES DEALERS (NASD):** A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

**NATIONALLY RECOGNIZED STATISTICAL-RATING ORGANIZATION (NRSRO):** Standard and Poor's, Moody's, and Fitch Financial Services are examples of such organizations.

**OFFER:** An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the "Ask" or "Ask Price".

**PAR VALUE:** The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in \$1,000 increments per bond.

**PORTFOLIO:** Combined holding of more than one stock, bond, commodity, real estate investment, cash equivalent, or other asset. The purpose of a portfolio is to reduce risk by diversification.

**PRINCIPAL:** The face value or par value of a debt instrument, or the amount of capital invested in a given security.

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**PRIMARY DEALER:** A group of government securities dealers who submit daily reports of market activity and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) registered securities broker/dealers, banks and a few unregulated firms.

**PRINCIPAL:** (1) The face amount or par value of a debt instrument. (2) One who acts as a dealer buying and selling for his own account.

**RATE OF RETURN:** The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

**REINVESTMENT RISK:** The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

**REPURCHASE AGREEMENT (RP OR REPO):** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate the buyer for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is increasing bank reserves.

**REVERSE REPURCHASE AGREEMENT:** An agreement of one party (for example, a financial institution) to purchase securities at a specified price from a second party (such as a public agency) and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specific date.

**RISK:** Degree of uncertainty of return on an asset.

**RULE 2A-7 OF THE INVESTMENT COMPANY ACT:** Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of \$1.00.

**SAFEKEEPING SERVICE:** A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vault for protection and security.

**SECONDARY MARKET:** A market is made for the purchase and sale of outstanding issues following the initial distribution.

**SECURITIES LENDING:** An agreement under which a local agency agrees to transfer securities to a borrower who, in turn, agrees to provide collateral to the local agency. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral.

**STRUCTURED NOTES:** Notes issued by Government Sponsored Enterprises, (FLAB, FNMA, SLMA, etc.), and Corporations that have imbedded options, (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns), into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

**SWAP:** Trading one asset for another.

**TOTAL RETURN:** The sum of all investment income plus changes in the capital value of the portfolio.

**TREASURY BILLS:** Short-term U.S. government non-interest bearing discounted debt securities with maturities of no longer than 1 year and issued in minimum denominations of \$10,000. Auctions of 3- and 6-month bills are weekly, while auctions of 1-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

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**TREASURY BOND:** A long-term coupon-bearing U.S. Treasury security issued as a direct obligation of the U.S. Government and having an initial maturity of more than 10 years and issued in minimum denominations of \$1,000.

**TREASURY NOTE:** A medium-term coupon-bearing U.S. Treasury security issued as a direct obligation of the U.S. Government and having an initial maturity of from 1 to 10 years and issued in denominations ranging from \$1,000 to \$1 million or more.

**UNIFORM NET CAPITAL RULE:** Securities and Exchange Commission (SEC) Rule 15C3-1 outlining requirements that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

**VOLATILITY:** A degree of fluctuation in the price and valuation of securities.

**YIELD:** The current rate of return on an investment security generally expressed as a percentage of the security's current price. (a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD** or **YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF THE COUNCIL OF THE CITY OF  
SANTA BARBARA ADOPTING THE INVESTMENT  
POLICY FOR THE CITY AND RESCINDING  
RESOLUTION NO. 13-058

WHEREAS, the City Council adopted Resolution Nos. 85-065 and 85-121, establishing a policy regarding the investment of City funds;

WHEREAS, the Council last reaffirmed the policy by adopting Resolution No. 13-058; and

WHEREAS, the City of Santa Barbara has consistently maintained a policy of due diligence and the minimizing of risk in the investment of City funds.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SANTA BARBARA AS FOLLOWS:

SECTION 1. The attached Exhibit, City of Santa Barbara Statement of Investment Policy, is hereby adopted and made a part of this resolution.

SECTION 2. Resolution No. 13-058 is hereby rescinded.

Adopted: July 29, 2014



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** July 29, 2014

**TO:** Mayor and Councilmembers

**FROM:** Treasury Division, Finance Department

**SUBJECT:** June 30, 2014, Investment Report And June 30, 2014, Fiscal Agent Report

**RECOMMENDATION:** That Council:

- A. Accept the June 30, 2014, Investment Report; and
- B. Accept the June 30, 2014, Fiscal Agent Report.

**DISCUSSION:**

On a quarterly basis, staff submits a comprehensive report on the City’s portfolio and related activity pursuant to the City’s Annual Statement of Investment Policy. The current report covers the investment activity for the period of April through June 2014.

Treasury yields were mostly lower by the end of the quarter. As shown in the table to the right, the change in Treasury yields ranged from a decrease of 22 basis points on the 30-year Treasury note to an increase of 3 basis points on the 2-year Treasury note. Longer term maturities saw the largest declines in Treasury yield, and the 5 year note decreased by 11 basis points by the end of the quarter.

U.S. Treasury Market					
	3/31/2014	4/30/2014	5/31/2014	6/30/2014	Cumulative Change
3 Month	0.05%	0.03%	0.04%	0.04%	-0.01%
6 Month	0.07%	0.05%	0.06%	0.07%	0.00%
1 Year	0.13%	0.11%	0.10%	0.11%	-0.02%
2 Year	0.44%	0.42%	0.37%	0.47%	0.03%
3 Year	0.90%	0.87%	0.79%	0.88%	-0.02%
4 Year	1.29%	1.26%	1.16%	1.25%	-0.04%
5 Year	1.73%	1.69%	1.54%	1.62%	-0.11%
10 Year	2.73%	2.67%	2.48%	2.53%	-0.20%
30 Year	3.56%	3.47%	3.33%	3.34%	-0.22%
LAIF	0.23%	0.22%	0.22%	0.22%	-0.01%

**Investment Activity**

As shown in the Investment Activity table on the next page, the City invested \$15 million during the quarter. The purchases consisted of \$13 million in “AAA” rated Federal Agency callable securities, and \$2 million in “AAA” rated Federal Agency bullets. The

purchases replaced \$2 million in Federal Agency securities that matured, and \$9 million in Federal Agency securities that were called over the quarter. In addition, the portfolio also received \$134,433 in a semi-annual principal payment on the Airport promissory note at the end of June. The outstanding balance on the Airport promissory note is \$5.337 million.

Issuer	Face Amount	Purchase Date	Final Maturity	Call Date	Yield To Call	Yield To Maturity
<i>Purchases:</i>						
Federal Home Loan Bank (FHLB)	\$ 1,000,000	04/15/14	04/15/19	07/15/14	2.070%	2.070%
Federal Home Loan Bank (FHLB)	2,000,000	04/17/14	04/17/17	04/17/15	1.000%	1.000%
Federal Home Loan Mortgage Corp (FHLMC)	2,000,000	04/24/14	04/24/19	10/24/14	2.100%	2.100%
Federal Home Loan Bank (FHLB)	2,000,000	05/28/14	05/28/19	11/28/14	1.357%	2.288%
Federal Home Loan Bank (FHLB)	2,000,000	05/22/14	05/22/17	08/22/14	1.000%	1.000%
Federal Home Loan Bank (FHLB)	2,000,000	06/26/14	06/26/19	12/26/14	1.653%	2.062%
Federal Home Loan Bank (FHLB)	2,000,000	06/18/14	06/09/17	-	-	1.003%
Federal Home Loan Mortgage Corp (FHLMC)	2,000,000	06/30/14	06/30/17	06/30/15	1.000%	1.000%
	\$ 15,000,000					
<i>Calls:</i>						
Federal Home Loan Bank (FHLB)	\$ 2,000,000	07/17/13	07/17/18	04/17/14	1.750%	1.750%
Federal Home Loan Bank (FHLB)	2,000,000	02/13/14	02/13/19	05/13/14	2.050%	2.050%
Federal National Mortgage Association (FNMA)	1,000,000	11/13/13	11/13/18	05/13/14	0.625%	1.857%
Federal National Mortgage Association (FNMA)	2,000,000	08/28/12	08/28/17	05/28/14	1.150%	1.150%
Federal Home Loan Mortgage Corp (FHLMC)	2,000,000	06/12/12	06/12/17	06/12/14	1.250%	1.250%
	\$ 9,000,000					
<i>Maturities:</i>						
Federal Home Loan Mortgage Corp (FHLMC)	\$ 2,000,000	02/11/11	04/02/14	-	-	1.615%
Airport Promissory Note - Partial Redemption	134,433	07/14/09	06/30/29	-	-	4.195%
	\$ 2,134,433					

### Summary of Cash and Investments

The book rate of return, or portfolio yield, measures the rate of return of actual earnings generated from the portfolio. As shown in the table to the right, during the quarter, the City's book rate of return decreased by 1.7 basis points from 1.177 percent at March 31, 2014 to 1.160 percent at June 30, 2014.

Mo. Ended	Yield	Days to Maturity
3/31/2014	1.177%	1008
4/30/2014	1.178%	1007
5/31/2014	1.120%	903
6/30/2014	1.160%	931

The portfolio's average days to maturity, including the long-term Airport promissory note, decreased by 77 days from 1008 to 931 days. Excluding the Airport note, the portfolio's average days to maturity is 791 days, reflecting reinvestment of maturities and calls during the quarter in the one-to-five year range in accordance with the City's Annual Statement of Investment Policy. The Annual Statement of Investment Policy requires that the average days to maturity on the portfolio not exceed 2.5 years, excluding any investments with a final maturity longer than 5 years that were separately authorized by Council, such as the Airport promissory note.

The average LAIF rate at which the City earned interest for funds invested was at 0.22 percent for the quarter ended June 30, 2014, which was down from last quarter by 1 basis point. The City's LAIF holdings at the end of the quarter were \$30 million. Staff expects to reinvest a portion of the LAIF balances in fixed-term or callable securities

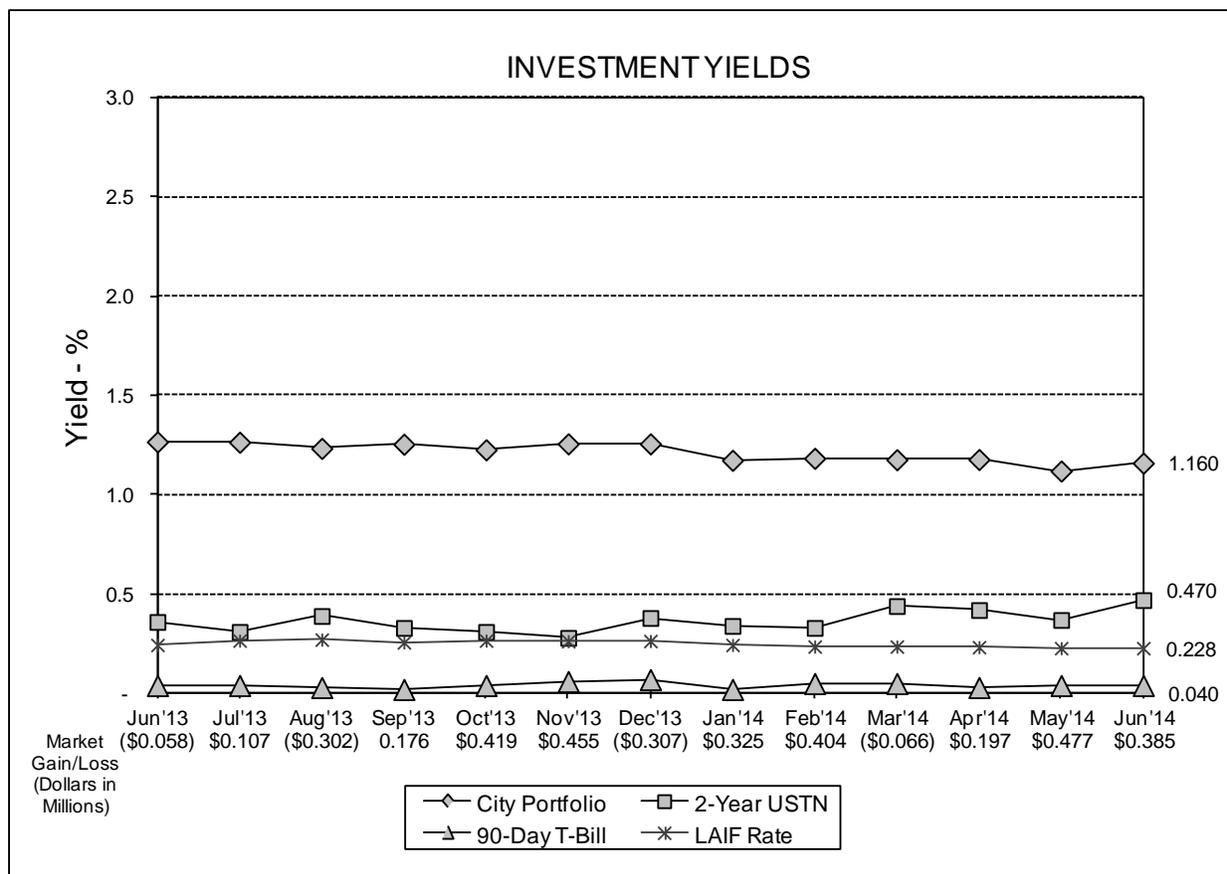
during the next quarter.

**Credit Quality on Corporate Notes**

There were no credit quality changes to the four corporate issuers of the medium-term notes held in the portfolio (i.e., Berkshire Hathaway Financial, Inc., General Electric Capital Corp, Proctor & Gamble, and Toyota Motor Credit), and the ratings of all corporate notes remain within the City’s Investment Policy guidelines of “A” or better.

**Portfolio Market Gains/Losses**

As shown in the Investment Yields chart below, the City’s portfolio continues to significantly outperform the three benchmark measures (the 90-day T-Bill, 2-year T-Note and LAIF). The City’s portfolio reflected a minimal market gain at June 30<sup>th</sup> as a result of the modest decrease in market yields during the quarter compared to the yields on securities currently held in the portfolio. At June 30, 2014, the portfolio had an overall unrealized market gain of \$0.385 million.



On a quarterly basis, staff reports the five securities with the largest percentage of unrealized losses as shown in the table below. However, because securities in the City's portfolio are held to maturity, no market losses would be realized.

Issuer	Face Amount	Maturity	\$ Mkt Change	% Mkt Change
FEDERAL NATL MORTGAGE ASSN	\$2,000,000	02/05/18	-\$21,960	-1.10%
FEDERAL NATL MORTGAGE ASSN	\$4,000,000	12/26/17	-\$42,680	-1.07%
FEDERAL NATL MORTGAGE ASSN	\$3,000,000	01/30/18	-\$31,020	-1.03%
FEDERAL HOME LOAN BANK	\$4,000,000	01/16/18	-\$38,680	-0.97%
FEDERAL NATL MORTGAGE ASSN	\$2,000,000	12/12/17	-\$18,360	-0.92%

On a quarterly basis, staff also reports all securities with monthly market declines of greater than 1 percent compared to the prior month. There were no securities in the portfolio with a market decline of greater than 1 percent compared to the prior month.

### Additional Reporting Requirements

The following confirmations are made pursuant to California Code Sections 53600 et seq.: (1) the City's portfolio as of June 30, 2014, is in compliance with the City's Statement of Investment Policy; and (2) there are sufficient funds available to meet the City's expenditure requirements for the next six months.

### Fiscal Agent Investments

In addition to reporting requirements for public agency portfolios, a description of any of the agency's investments under the management of contracted parties is also required on a quarterly basis. Attachment 2 includes bond funds and the police and fire service retirement fund as of June 30, 2014.

**ATTACHMENTS:** 1. June 30, 2014, Investment Report  
 2. June 30, 2014, Fiscal Agent Report

**PREPARED BY:** Genie Wilson, Treasury Manager

**SUBMITTED BY:** Robert Samario, Finance Director

**APPROVED BY:** City Administrator's Office

**CITY OF SANTA BARBARA**  
**Activity and Interest Report**  
June 30, 2014

**INVESTMENT ACTIVITY**

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**PURCHASES OR DEPOSITS**

6/18 Federal Home Loan Bank (FHLB)	\$ 2,000,000
6/26 Federal Home Loan Bank (FHLB)	2,000,000
6/30 Federal Home Loan Mortgage Corp (FHLMC)	<u>2,000,000</u>
<b>Total</b>	<b>\$ 6,000,000</b>

**SALES, MATURITIES, CALLS OR WITHDRAWALS**

6/2 LAIF Withdrawal - City	\$ (1,500,000)
6/12 Federal Home Loan Mortgage Corp (FHLMC) - Call	(2,000,000)
6/30 LAIF Withdrawal - City	(2,000,000)
6/30 Airport Promissory Note - Partial Redemption	<u>(134,433)</u>
<b>Total</b>	<b>\$ (5,634,433)</b>

**ACTIVITY TOTAL**

\$ 365,567

**INVESTMENT INCOME**

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**POOLED INVESTMENTS**

Interest Earned on Investments	\$ 167,014
Amortization	<u>(10,572)</u>
<b>Total</b>	<b>\$ 156,442</b>

**INCOME TOTAL**

\$ 156,442



**CITY OF SANTA BARBARA**

**Investment Portfolio**

**June 30, 2014**

DESCRIPTION	PURCHASE DATE	MATURITY DATE	QUALITY RATING		STATED RATE	YIELD AT 365	FACE VALUE	BOOK VALUE	MARKET VALUE	BOOK GAIN/(LOSS)	COMMENTS
			MOODY'S	S & P							
<b>LOCAL AGENCY INVESTMENT FUNDS</b>											
LOCAL AGENCY INVESTMENT FUND	-	-	-	-	0.228	0.228	30,000,000.00	30,000,000.00	30,000,000.00	0.00	
<b>Subtotal, LAIF</b>							30,000,000.00	30,000,000.00	30,000,000.00	0.00	
<b>CERTIFICATES OF DEPOSIT</b>											
MONTECITO BANK & TRUST	11/18/13	11/18/15	-	-	0.600	0.600	2,000,000.00	2,000,000.00	2,000,000.00	0.00	
UNION BANK	08/31/12	08/31/15	-	-	1.230	1.247	2,000,000.00	2,000,000.00	2,000,000.00	0.00	
UNION BANK	08/31/12	08/31/17	-	-	1.490	1.511	4,000,000.00	4,000,000.00	4,000,000.00	0.00	
<b>Subtotal, Certificates of deposit</b>							8,000,000.00	8,000,000.00	8,000,000.00	0.00	
<b>TREASURY SECURITIES - COUPON</b>											
U S TREASURY NOTE	10/25/12	03/15/15	Aaa	AA+	0.375	0.342	2,000,000.00	2,000,461.04	2,004,060.00	3,598.96	
U S TREASURY NOTE	10/25/12	10/31/15	Aaa	AA+	1.250	0.397	2,000,000.00	2,022,600.05	2,028,120.00	5,519.95	
U S TREASURY NOTE	02/22/13	05/15/16	Aaa	AA+	5.125	0.442	2,000,000.00	2,174,012.10	2,176,100.00	2,087.90	
U S TREASURY NOTE	02/22/13	08/31/16	Aaa	AA+	1.000	0.502	2,000,000.00	2,021,362.75	2,020,620.00	(742.75)	
U S TREASURY NOTE	02/22/13	02/28/17	Aaa	AA+	0.875	0.607	2,000,000.00	2,014,094.24	2,007,340.00	(6,754.24)	
<b>Subtotal, Treasury Securities</b>							10,000,000.00	10,232,530.18	10,236,240.00	3,709.82	
<b>FEDERAL AGENCY ISSUES - COUPON</b>											
FED AGRICULTURAL MTG CORP	10/03/13	10/03/18	-	-	1.720	1.720	2,000,000.00	2,000,000.00	2,009,880.00	9,880.00	
FED AGRICULTURAL MTG CORP	12/12/13	12/12/18	-	-	1.705	1.705	2,000,000.00	2,000,000.00	2,023,100.00	23,100.00	
FEDERAL FARM CREDIT BANK	08/15/12	08/15/17	Aaa	AA+	0.980	0.980	2,000,000.00	2,000,000.00	1,996,400.00	(3,600.00)	Callable, Continuous
FEDERAL FARM CREDIT BANK	09/18/13	09/18/17	Aaa	AA+	1.550	1.550	2,000,000.00	2,000,000.00	2,034,260.00	34,260.00	
FEDERAL FARM CREDIT BANK	02/16/11	02/16/16	Aaa	AA+	2.570	2.570	2,000,000.00	2,000,000.00	2,071,640.00	71,640.00	
FEDERAL FARM CREDIT BANK	07/17/13	07/17/17	Aaa	AA+	1.300	1.300	2,000,000.00	2,000,000.00	2,026,480.00	26,480.00	
FEDERAL HOME LOAN BANK	08/05/10	09/12/14	Aaa	AA+	1.375	1.375	2,000,000.00	2,000,000.00	2,005,080.00	5,080.00	
FEDERAL HOME LOAN BANK	09/13/13	09/14/18	Aaa	AA+	2.000	1.910	2,000,000.00	2,007,174.36	2,039,540.00	32,365.64	
FEDERAL HOME LOAN BANK	04/17/14	04/17/17	Aaa	AA+	1.000	1.000	2,000,000.00	2,000,000.00	2,003,880.00	3,880.00	Callable, 04/17/15 once
FEDERAL HOME LOAN BANK	01/16/13	01/16/18	Aaa	AA+	1.000	1.000	4,000,000.00	4,000,000.00	3,961,320.00	(38,680.00)	Callable 07/16/14, then qtrly
FEDERAL HOME LOAN BANK	01/17/14	04/17/18	Aaa	AA+	1.480	1.480	2,000,000.00	2,000,000.00	2,009,400.00	9,400.00	
FEDERAL HOME LOAN BANK	05/28/14	05/28/19	Aaa	AA+	1.375	2.288	2,000,000.00	2,000,000.00	1,995,460.00	(4,540.00)	SU 1.375%-6% Call 11/28/14, then qtrly
FEDERAL HOME LOAN BANK	06/26/14	06/26/19	Aaa	AA+	1.250	2.062	2,000,000.00	1,996,111.11	1,998,580.00	2,468.89	SU 1.25%-6% Call 12/26/14, then qtrly
FEDERAL HOME LOAN BANK	06/27/13	06/27/18	Aaa	AA+	1.250	1.493	2,000,000.00	2,000,000.00	1,998,140.00	(1,860.00)	SU 1.125%-2.5% Call 09/27/14, then qtrly
FEDERAL HOME LOAN BANK	04/15/14	04/15/19	Aaa	AA+	2.070	2.070	1,000,000.00	1,000,000.00	999,290.00	(710.00)	Callable 07/15/14, then continuous
FEDERAL HOME LOAN BANK	05/22/14	05/22/17	Aaa	AA+	1.000	1.000	2,000,000.00	2,000,000.00	2,002,140.00	2,140.00	Callable 08/22/14, then continuous
FEDERAL HOME LOAN BANK	02/09/11	01/29/15	Aaa	AA+	1.750	1.750	2,000,000.00	2,000,000.00	2,018,620.00	18,620.00	
FEDERAL HOME LOAN BANK	04/15/11	05/27/15	Aaa	AA+	2.000	2.000	2,000,000.00	2,000,000.00	2,032,200.00	32,200.00	
FEDERAL HOME LOAN BANK	12/16/13	12/14/18	Aaa	AA+	1.750	1.650	2,000,000.00	2,008,505.35	2,017,360.00	8,854.65	
FEDERAL HOME LOAN BANK	06/18/14	06/09/17	Aaa	AA+	1.000	1.003	2,000,000.00	1,999,802.43	2,005,880.00	6,077.57	
FEDERAL HOME LOAN MTG CORP	06/26/13	06/26/18	Aaa	AA+	1.400	1.400	2,000,000.00	2,000,000.00	1,987,700.00	(12,300.00)	Callable 09/26/14, then qtrly
FEDERAL HOME LOAN MTG CORP	07/25/13	07/25/18	Aaa	AA+	1.800	1.800	2,000,000.00	2,000,000.00	2,001,800.00	1,800.00	Callable 07/25/14, once
FEDERAL HOME LOAN MTG CORP	12/18/13	12/18/18	Aaa	AA+	1.500	1.839	1,000,000.00	1,000,000.00	1,001,950.00	1,950.00	SU 1.5%-2.75% Call 09/18/14, then qtrly
FEDERAL HOME LOAN MTG CORP	12/31/13	12/31/18	Aaa	AA+	1.825	1.825	1,000,000.00	1,000,000.00	1,006,660.00	6,660.00	Callable 12/31/14, once
FEDERAL HOME LOAN MTG CORP	04/23/12	04/17/15	Aaa	AA+	0.500	0.534	2,000,000.00	1,999,462.09	2,005,760.00	6,297.91	

**CITY OF SANTA BARBARA**

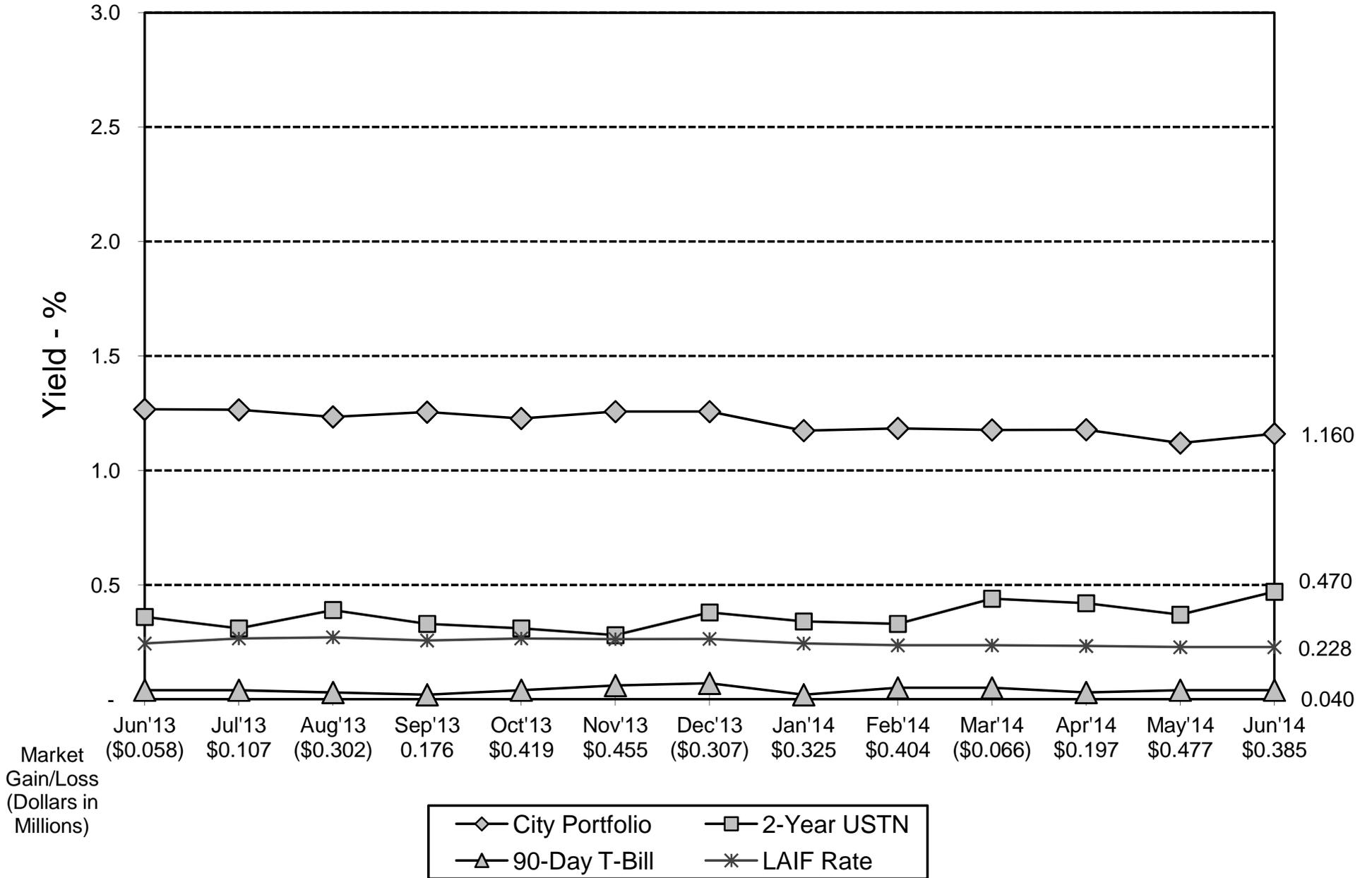
**Investment Portfolio**

**June 30, 2014**

DESCRIPTION	PURCHASE	MATURITY	QUALITY RATING		STATED	YIELD AT	FACE	BOOK	MARKET	BOOK	COMMENTS
	DATE	DATE	MOODY'S	S & P							
FEDERAL HOME LOAN MTG CORP	07/24/12	07/24/17	Aaa	AA+	1.125	1.125	2,000,000.00	2,000,000.00	2,001,200.00	1,200.00	Callable 07/24/14, then qtrly
FEDERAL HOME LOAN MTG CORP	04/24/14	04/24/19	Aaa	AA+	2.100	2.100	2,000,000.00	2,000,000.00	2,009,020.00	9,020.00	Callable 10/24/14, then qtrly
FEDERAL HOME LOAN MTG CORP	06/30/14	06/30/17	Aaa	AA+	1.000	1.000	2,000,000.00	2,000,000.00	1,999,500.00	(500.00)	Callable 06/30/15, once
FEDERAL HOME LOAN MTG CORP	09/12/12	09/12/17	Aaa	AA+	1.000	1.000	2,000,000.00	2,000,000.00	2,000,580.00	580.00	Callable 09/12/14, then qtrly
FEDERAL HOME LOAN MTG CORP	01/16/13	01/16/18	Aaa	AA+	1.050	1.050	4,000,000.00	4,000,000.00	3,969,520.00	(30,480.00)	Callable 07/16/14, then qtrly
FEDERAL HOME LOAN MTG CORP	11/26/13	11/26/18	Aaa	AA+	1.000	1.793	1,000,000.00	1,000,000.00	1,001,960.00	1,960.00	SU 1%-2% Callable 11/26/14, once
FEDERAL HOME LOAN MTG CORP	06/26/13	06/26/18	Aaa	AA+	1.500	1.500	2,000,000.00	2,000,000.00	2,000,400.00	400.00	Callable 09/26/14, then qtrly
FEDERAL HOME LOAN MTG CORP	11/20/13	09/29/17	Aaa	AA+	1.000	1.030	1,000,000.00	999,041.38	997,940.00	(1,101.38)	
FEDERAL NATL MORTGAGE ASSN	01/30/13	01/30/18	Aaa	AA+	1.030	1.030	3,000,000.00	3,000,000.00	2,968,980.00	(31,020.00)	Callable 07/30/14, then qtrly
FEDERAL NATL MORTGAGE ASSN	11/17/10	11/17/14	Aaa	AA+	1.300	1.300	2,000,000.00	2,000,000.00	2,008,980.00	8,980.00	
FEDERAL NATL MORTGAGE ASSN	12/12/12	12/12/17	Aaa	AA+	1.000	1.000	2,000,000.00	2,000,000.00	1,981,640.00	(18,360.00)	Callable 09/12/14, then qtrly
FEDERAL NATL MORTGAGE ASSN	06/19/13	12/19/16	Aaa	AA+	0.750	0.750	2,000,000.00	2,000,000.00	1,994,960.00	(5,040.00)	Callable 09/19/14, then qtrly
FEDERAL NATL MORTGAGE ASSN	11/15/13	10/26/17	Aaa	AA+	0.875	1.062	2,000,000.00	1,987,873.40	1,985,320.00	(2,553.40)	
FEDERAL NATL MORTGAGE ASSN	12/11/13	11/27/18	Aaa	AA+	1.625	1.606	2,000,000.00	2,001,598.43	2,010,700.00	9,101.57	
FEDERAL NATL MORTGAGE ASSN	11/08/12	11/08/17	Aaa	AA+	1.000	1.000	2,000,000.00	2,000,000.00	1,984,460.00	(15,540.00)	Callable 08/08/14, then qtrly
FEDERAL NATL MORTGAGE ASSN	11/08/12	11/08/17	Aaa	AA+	1.000	1.000	2,000,000.00	2,000,000.00	1,984,460.00	(15,540.00)	Callable 08/08/14, then qtrly
FEDERAL NATL MORTGAGE ASSN	12/26/12	12/26/17	Aaa	AA+	1.000	1.000	4,000,000.00	4,000,000.00	3,957,320.00	(42,680.00)	Callable 09/26/14, then qtrly
FEDERAL NATL MORTGAGE ASSN	07/10/13	07/10/18	Aaa	AA+	1.700	1.700	2,000,000.00	2,000,000.00	2,000,680.00	680.00	Callable 07/10/14, then qtrly
FEDERAL NATL MORTGAGE ASSN	09/21/10	09/21/15	Aaa	AA+	2.000	2.000	2,000,000.00	2,000,000.00	2,040,960.00	40,960.00	
FEDERAL NATL MORTGAGE ASSN	12/10/10	10/26/15	Aaa	AA+	1.625	2.067	2,000,000.00	1,988,952.73	2,034,180.00	45,227.27	
FEDERAL NATL MORTGAGE ASSN	02/05/13	02/05/18	Aaa	AA+	1.000	1.000	2,000,000.00	2,000,000.00	1,978,040.00	(21,960.00)	Callable 02/05/15, then qtrly
FEDERAL NATL MORTGAGE ASSN	11/20/13	10/26/17	Aaa	AA+	0.875	1.070	2,000,000.00	1,987,341.10	1,985,320.00	(2,021.10)	
<b>Subtotal, Federal Agencies</b>							<u>96,000,000.00</u>	<u>95,975,862.38</u>	<u>96,148,640.00</u>	<u>172,777.62</u>	
<b>CORPORATE/MEDIUM TERM NOTES</b>											
BERKSHIRE HATHAWAY FIN	12/15/10	12/15/15	Aa2	AA	2.450	2.530	2,000,000.00	1,997,816.67	2,056,700.00	58,883.33	
BERKSHIRE HATHAWAY INC	11/29/13	02/09/18	Aa2	AA	1.550	1.550	2,000,000.00	2,000,000.00	2,005,260.00	5,260.00	
GENERAL ELECTRIC CAPITAL CORP	11/10/10	11/09/15	A1	AA+	2.250	2.250	2,000,000.00	2,000,000.00	2,045,760.00	45,760.00	
GENERAL ELECTRIC CAPITAL CORP	01/14/14	01/14/19	A1	AA+	2.300	2.250	2,000,000.00	2,004,263.94	2,040,240.00	35,976.06	
PROCTOR & GAMBLE	09/20/11	11/15/15	Aa3	AA-	1.800	1.085	2,000,000.00	2,019,132.17	2,038,640.00	19,507.83	
TOYOTA MOTOR CREDIT	09/26/11	09/15/16	Aa3	AA-	2.000	1.800	2,000,000.00	2,008,397.14	2,051,660.00	43,262.86	
<b>Subtotal, Corporate Securities</b>							<u>12,000,000.00</u>	<u>12,029,609.92</u>	<u>12,238,260.00</u>	<u>208,650.08</u>	
<b>SB AIRPORT PROMISSORY NOTE (LT)</b>											
SANTA BARBARA AIRPORT	07/14/09	06/30/29	-	-	3.500	4.195	<u>5,336,966.90</u>	<u>5,336,966.90</u>	<u>5,336,966.90</u>	<u>0.00</u>	
<b>Subtotal, SBA Note</b>							<u>5,336,966.90</u>	<u>5,336,966.90</u>	<u>5,336,966.90</u>	<u>0.00</u>	
<b>CHECKING ACCOUNT</b>											
Union Bank Checking Account	-	-	-	-	0.400	0.400	<u>16,731,038.94</u>	<u>16,731,038.94</u>	<u>16,731,038.94</u>	<u>0.00</u>	
<b>Subtotal, Checking Account</b>							<u>16,731,038.94</u>	<u>16,731,038.94</u>	<u>16,731,038.94</u>	<u>0.00</u>	
<b>TOTALS</b>							<u>178,068,005.84</u>	<u>178,306,008.32</u>	<u>178,691,145.84</u>	<u>385,137.52</u>	

Market values have been obtained from the City's safekeeping agent, Union Bank The Private Bank (UBTPB). UBTPB uses Interactive Data Pricing Service, Bloomberg and DTC.

# INVESTMENT YIELDS



**CITY OF SANTA BARBARA  
Fiscal Agent Investments  
June 30, 2014**

	CASH & CASH EQUIVALENTS Book & Market	Guaranteed Investment Contracts (GIC) Book & Market	STOCKS		BONDS		US GOVT & AGENCIES		TOTALS	
			Book	Market	Book	Market	Book	Market	Book	Market
<b>BOND FUNDS</b>										
<i>RESERVE FUNDS</i>										
2004 RDA - Housing Bonds	591,683.15	-	-	-	-	-	-	-	591,683.15	591,683.15
2002 Municipal Improvement - Refunding COPS	13,719.74	547,530.00	-	-	-	-	-	-	561,249.74	561,249.74
2011 Water - Safe Drinking Water State Loan	458,922.62	-	-	-	-	-	-	-	458,922.62	458,922.62
2013 Water - Refunding COPS	41,529.10	428,069.44	-	-	-	-	636,099.18	642,054.40	1,105,697.72	1,111,652.94
2004 Sewer - Revenue Bonds	46,549.94	1,357,140.00	-	-	-	-	-	-	1,403,689.94	1,403,689.94
2009 Airport - Revenue Bonds	2,162,521.30	-	-	-	-	-	3,046,223.36	3,052,246.25	5,208,744.66	5,214,767.55
2014 Waterfront - Refunding Bonds	4,439.24	581,455.74	-	-	-	-	-	-	585,894.98	585,894.98
Subtotal, Reserve Funds	3,319,365.09	2,914,195.18	-	-	-	-	3,682,322.54	3,694,300.65	9,915,882.81	9,927,860.92
<i>PROJECT FUNDS</i>										
2001 RDA Bonds	2,366,392.40	-	-	-	-	-	-	-	2,366,392.40	2,366,392.40
2003 RDA Bonds	8,507,245.28	-	-	-	-	-	-	-	8,507,245.28	8,507,245.28
Subtotal, Project Funds	10,873,637.68	-	-	-	-	-	-	-	10,873,637.68	10,873,637.68
<b>SUBTOTAL BOND FUNDS</b>	<b>14,193,002.77</b>	<b>2,914,195.18</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,682,322.54</b>	<b>3,694,300.65</b>	<b>20,789,520.49</b>	<b>20,801,498.60</b>
<b>POLICE/FIRE - SVC RETIREMENT FUND</b>										
Police/Fire Funds	65,865.95	-	143,377.82	256,843.94	219,676.71	231,898.40	-	-	428,920.48	554,608.29
	65,865.95	-	143,377.82	256,843.94	219,676.71	231,898.40	-	-	428,920.48	554,608.29
<b>TOTAL FISCAL AGENT INVESTMENTS</b>	<b>14,258,868.72</b>	<b>2,914,195.18</b>	<b>143,377.82</b>	<b>256,843.94</b>	<b>219,676.71</b>	<b>231,898.40</b>	<b>3,682,322.54</b>	<b>3,694,300.65</b>	<b>21,218,440.97</b>	<b>21,356,106.89</b>

Notes:

- (1) Cash & cash equivalents include money market funds.
- (2) Market values have been obtained from the following trustees: US Bank and Union Bank N.A.



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** July 29, 2014

**TO:** Mayor and Councilmembers

**FROM:** Administration Division, Finance Department

**SUBJECT:** Professional Services Agreement With Aon Hewitt For Actuarial Services

### RECOMMENDATION:

That Council authorize the Finance Director to execute a professional services agreement with Aon Hewitt to perform actuarial services in connection with the City's Post Retirement Health Benefits, Sick Leave Benefits, and Article XV and XVA Safety Retirement Plans in amount of \$37,000, and authorize the Finance Director to approve additional services if needed totaling \$5,000.

### DISCUSSION:

Governmental accounting standards require that an actuarial valuation be performed every two years for any all post-retirement benefits provided by the City to its employees. The purpose of the valuations is to determine the actuarial accrued liability associated with post-retirement benefits as of the valuation date; and to determine their funded status.

The valuation will be performed for the following items:

1. Post-Retirement Health Benefits

This includes two components: (1) Amounts paid to City employees from their retirement date until age 65 to cover medical expenses. Employees must meet certain vesting requirements, including being employed with the City for at least fifteen years; and (2) subsidized health insurance premiums.

2. Sick Leave Retirement Benefits

The City provides additional retirement benefits based on unused accumulated sick leave to eligible employees who retire from the City immediately upon termination of employment. Accumulated sick leave balances are converted to credited service that is used to provide additional retirement benefits. Employees must have a minimum of five years of service and retire at a minimum age of 50.

### 3. Safety Retirement Plans

The City provides two retirement plans for fire and police personnel hired between 1927 and 1965. The first plan, the Safety Retirement Plan, was established to account for the accumulation of resources for retirement benefits; the second plan, the Service Retirement Plan, was established for those fire and police employees that retired from the City and who were disabled due to work-related injuries. Both plans have been closed to new employees since May 1965.

The results of the valuation are included in a required footnote disclosure within the City's Comprehensive Annual Financial Report.

#### **BUDGET/FINANCIAL INFORMATION:**

The Fiscal Year 2015 adopted budget and Fiscal Year 2015 recommended budget include sufficient appropriations to cover the \$37,000 fees for these services.

**PREPARED BY:** Robert Samario, Finance Director

**SUBMITTED BY:** Robert Samario, Finance Director

**APPROVED BY:** City Administrator's Office



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** July 29, 2014

**TO:** Mayor and Councilmembers

**FROM:** Administration Division, Finance Department

**SUBJECT:** Request For Consent Of Participating Jurisdictions To Renew The Santa Barbara South Coast Tourism Business Improvement District

### **RECOMMENDATION:**

That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Requesting Consent of the Cities of Carpinteria and Goleta, and the County of Santa Barbara, to Renew the Santa Barbara Tourism Business Improvement District.

### **DISCUSSION:**

#### **Introduction**

On September 28, 2010 the Santa Barbara City Council approved resolution No.10-080 establishing the Santa Barbara South Coast Tourism Business Improvement District (TBID) and approved the TBID Management District Plan. The TBID is a special benefit assessment district designed to increase tourism by creating a supplemental funding source for marketing the south coast region of Santa Barbara County. The TBID region includes the Cities of Santa Barbara, Goleta, and Carpinteria, and the nearby unincorporated areas of the County of Santa Barbara, with the City of Santa Barbara designated as the lead jurisdiction. The five year term of the TBID is set to expire on January 1, 2016.

#### **Renewal Process**

To renew the TBID, the formation/renewal proceedings specified in the Property and Business Improvement District Law of 1994 (1994 Law) must be followed, including accepting petitions, adopting a resolution declaring intention to form the district, holding public hearings to allow for comments, and adopting a resolution forming the district. The public hearings are proposed for September 30, 2014 and October 28, 2014, with adoption of the TBID on the date of the final public hearing.

The 1994 Law allows for the formation/renewal of multi-jurisdictional improvement districts, with consent of the included jurisdictions being granted to one “lead” jurisdiction. In this case, the City of Santa Barbara has agreed to act as the lead jurisdiction, and by adopting the Resolution Requesting Consent will request consent from the cities of Carpinteria and Goleta, and the County of Santa Barbara, to include their jurisdictions (or portions thereof) in the proposed TBID. Each of those jurisdictions must grant consent in order for lodging businesses in their jurisdiction to be included in the TBID. While it is legally arguable that these cities and the County have already given their consent, staff felt it appropriate to confirm that consent for the TBID renewal. A summary report which provides an overview of the current TBID and the renewal timeline is attached to this report for review.

## Background

The TBID is a special benefit assessment district, which was formed pursuant to the 1994 Law. There are 84 districts of this type throughout California. The purpose of the TBID is to increase tourism in the southern coast Santa Barbara area, by marketing it to potential visitors. The TBID provides funding for marketing efforts, working to attract visitors to lodging establishments throughout the south coast Santa Barbara area. Funding provided by the TBID would be supplemental to current funding of Visit Santa Barbara (VSB). The 1994 Law requires creation of a management district plan, a guiding document for the TBID. A management district plan will be drafted and brought forward to the City Council at the meeting of September 9, 2014 with a Resolution of Intention to renew the district.

## Assessment

If renewed, the TBID will place an assessment on lodging businesses, regardless of size or category, within the boundaries of the Cities of Santa Barbara, Carpinteria, and Goleta, and portions of the unincorporated southern Santa Barbara County. The current assessment rate varies from \$.50 per occupied room per night to \$2.00 per occupied room per night, based upon the average daily rate charged by each lodging business, as illustrated below. The assessment rate will be adjusted on an annual basis to reflect any changes in the prior years’ average daily rates.

<b>Average Daily Rate</b>	<b>Current Assessment Per Night</b>	<b>Proposed Assessment Per Night</b>
Less than \$100	\$0.50	\$.75
Between \$100 and \$149	\$1.00	\$1.50
Between \$150 and \$199	\$1.50	\$2.25
Between \$200 and \$249	\$2.00	\$3.00
Between \$250 and \$300	\$2.00	\$3.50
Over \$300	\$2.00	\$4.00
Vacation Rentals	\$0	\$2.00

The new proposed assessment rates will vary from \$.75 to \$4.00 with two increases to the assessment rates in the six year term in order to keep pace with the rate of inflation, to remain competitive and to grow market share. These increases will be implemented on January 1<sup>st</sup> of the third and fifth years (2017 and 2019) of the TBID. These increases will be automatic unless the VSB Board votes not to implement them based upon the circumstances that they deem significant.

### **Governance**

The TBID funds are managed by a committee formed within VSB. The committee is comprised of a diverse group of representatives, including four representing Santa Barbara lodging businesses.

### **Term**

If renewed, TBID will have a six-year term, unless terminated earlier. Business owners can petition for disestablishment of the TBID if they desire, and intend to do so in the event current levels of tourism promotion funding provided by the City are significantly reduced from current levels or disproportionately reduced in times of budget cuts. The Santa Barbara City Council could also disestablish the TBID in certain cases of malfeasance or illegal activity. After six years, the petition and City Council approval process would have to be repeated to renew the TBID.

### **BUDGET/FINANCIAL INFORMATION:**

The proposed TBID, if renewed, will continue work to bring visitors to the City, potentially increasing transient occupancy and sales tax revenues. Because the City will collect the TBID assessment from lodging businesses, it will be paid a fee equal to 3% of the assessment collected.

The proposed TBID will have an overall positive impact on the City, increasing tourism and potentially raising both transient occupancy and sales taxes. The current TBID generates approximately \$1.75 million for marketing outreach; the renewal will generate an additional \$1.40 million for marketing efforts.

**ATTACHMENT:** Santa Barbara Tourism South Coast Tourism Business Improvement District – Renewal Process

**PREPARED BY:** Genie Wilson, Treasury Manager

**SUBMITTED BY:** Robert Samario, Finance Director

**APPROVED BY:** City Administrator's Office

# SANTA BARBARA SOUTH COAST TOURISM BUSINESS IMPROVEMENT DISTRICT

*Looking Ahead: Renewal Process*



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- 6 THE COMPETITION IS CHALLENGING
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- 13 TIMELINE





# I. OVERVIEW

*To Our Valued TBID Members:*

On behalf of the TBID renewal committee, thank you for your participation and support during the previous three years. As we embark upon the TBID renewal process, I want to touch upon some key elements of this process, its successes, and the vital importance of the tourism business improvement district to our industry's viability.

We are initiating the TBID renewal process now based upon the recommendations of our TBID advisory consultant and supported by the TBID Renewal Committee. Although we still have just over a year remaining of the five year TBID term, we want to ensure that the TBID funding stream is uninterrupted so that we can seamlessly maintain our marketing efforts. We witnessed the negative ramifications in San Diego when legal challenges forced a short-term shut down of their Tourism Management District. We do not anticipate any similar challenges with our TBID renewal and we have been advised that it is prudent to begin the renewal process now to ensure our future funding.

I believe most of you are aware of the tangible successes of our TBID, which has decisively contributed to the Santa Barbara South Coast's rising visitation numbers, resulting in substantial economic impact. Specifically, average daily rate (ADR) increased from \$166.45 in 2010 to \$195.00 in 2013 and occupancy rose by 5.5%.

**With the use of TBID funding, VSB-generated lodging revenue has increased from \$28M in 2010/11 to a projected \$59M in 2013/14.**

We're not alone in acknowledging the importance of the TBID structure. There are currently 85 tourism business improvement districts in existence in California. Although this reinforces Santa Barbara's adoption of the TBID, it also means that the marketplace is incredibly competitive, especially at a regional level. Infused with TBID funding, we want Visit Santa Barbara to continue to help ensure our destination is at the forefront of the travel and tourism industry and remains top-of-mind at a state, national, and global level.



As we continue to maximize the opportunities created by TBID funding, we thank you, our industry partners, for supporting the collections of these funds through the TBID that are paramount to our marketing success. In the next months we will ask you for your continued support for our South Coast Tourism Business Improvement District.

*Sincerely,*  
Tom Patton | TBID Committee Chair

As President and CEO of Visit Santa Barbara, I want to personally thank you. As Tom mentioned, TBID funding has notably increased the number of opportunities VSB is able to pursue on behalf of the destination. I'm frequently reminded of the Santa Barbara South Coast's prominence within the travel and tourism industry when I attend trade shows and meet with colleagues throughout the state, country, and world.

As a member of the U.S. Travel Association Board, I can assure our lodging partners that Visit Santa Barbara is at the cutting edge of our industry and key performance indicators support this. **Unique website visitors to SantaBarbaraCA.com have increased 103% to a projected 1.39M since 2010/11 TBID funds became available.** VSB-generated lodging revenue, as a percentage of total lodging revenue, has grown from 13.1 % in 2010/11 to 21.1% in 2013/14.



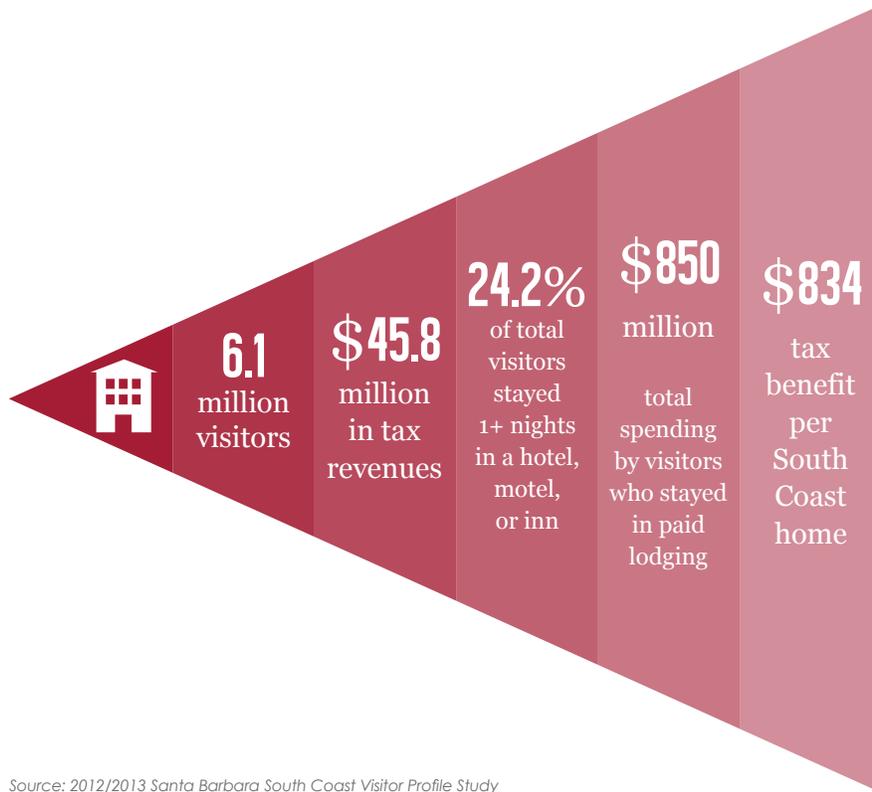
At Visit Santa Barbara, we give absolute consideration to every TBID dollar spent, ensuring that funds are always maximized on behalf of the Santa Barbara South Coast. I look forward to our continued partnership and the new levels of success to which it will take our world-renowned destination.

*Sincerely,*  
Kathy Janega-Dykes | President and CEO, Visit Santa Barbara



## II. THE DESTINATION TBID SUCCESS STORY

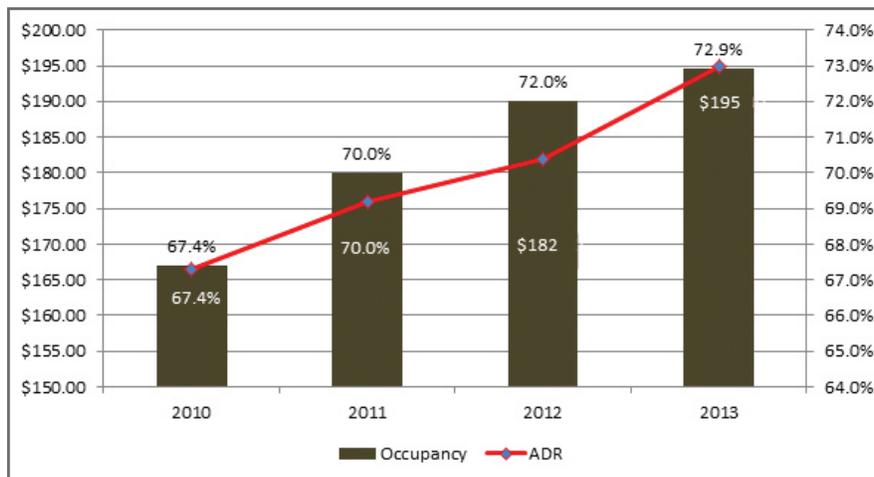
*The vast effect of travel and tourism on the Santa Barbara South Coast cannot be ignored.*



Source: 2012/2013 Santa Barbara South Coast Visitor Profile Study

The positive impacts of TBID funding for tourism marketing are very tangible. Santa Barbara South Coast lodging properties have experienced strong and consistent growth in both occupancy and average daily rate since the initiation of the TBID and its infusion of new funds to the VSB marketing program. The South Coast has outperformed the California market as a whole with occupancy rising from 67.4% to 72.9% and with an increase in ADR of 17% between CY 2010 and 2013.

### SANTA BARBARA SOUTH COAST LODGING PERFORMANCE



Source: Visit Santa Barbara Destination Strategic Marketing Plan 2014/15 draft

## SANTA BARBARA SOUTH COAST VS. CALIFORNIA LODGING PERFORMANCE

Year	Occupancy		ADR	
	California	Santa Barbara	California	Santa Barbara
2010	63.1%	67.4%	\$109.94	\$166.45
2011	66.5%	70.0%	\$116.35	\$176.38
2012	68.8%	72.0%	\$123.00	\$182.00
2013	70.2%	72.9%	\$130.41	\$195.00

Source: Smith Travel Research

Since TBID funds were added to the marketing effort, unique website visitors to the Visit Santa Barbara site have grown a remarkable 103% to 1.39 million, an increase that directly leads to increased lodging revenue.



**1.39**  
MILLION UNIQUE  
WEBSITE VISITORS

How does this translate into revenue? It is estimated that 10% of desktop users and 9% of mobile users who visit the VSB website are influenced to visit the destination.\*

TBID funds have further expanded VSB efforts and resources allowing VSB to initiate a comprehensive marketing effort and extensive sales and public relations activity. The result has been an almost \$31 million increase in VSB's share of total lodging revenue since 2010/11.

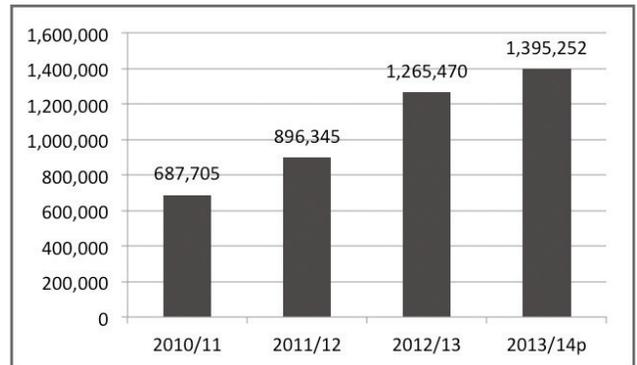


**\$31**  
MILLION INCREASE IN VSB'S SHARE OF  
TOTAL LODGING REVENUE SINCE 2010/11

With renewed funding, Visit Santa Barbara will continue to expand upon this multi-faceted approach, marketing the destination to drive the percentage of lodging revenue even higher in years to come.

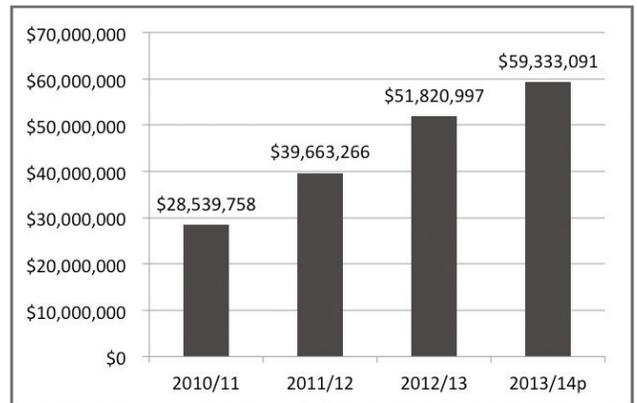
\*Note: The 9% conversion rate is estimated based on several factors including input and agreement from the lodging industry, extrapolation of the VSB conversion study and comparisons with other destinations. It is purposely a conservative estimate.

### VISIT SANTA BARBARA UNIQUE WEBSITE VISITORS



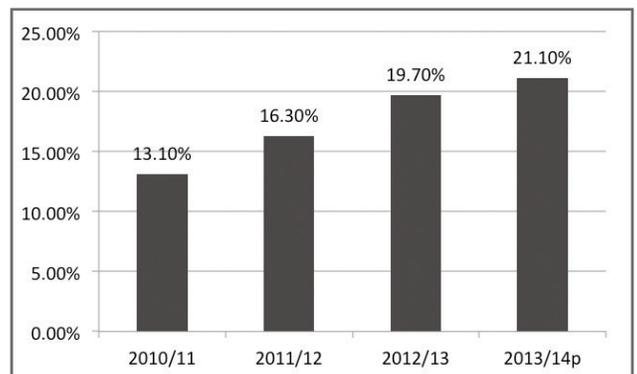
Source: Visit Santa Barbara Destination Strategic Marketing Plan 2014/15 draft

### VISIT SANTA BARBARA GENERATED LODGING REVENUE



Source: Visit Santa Barbara Destination Strategic Marketing Plan

### VISIT SANTA BARBARA GENERATED LODGING REVENUE AS A % OF TOTAL LODGING REVENUE



Source: Visit Santa Barbara Destination Strategic Marketing Plan

# III. THE COMPETITION IS CHALLENGING

*The California tourism market is an extremely competitive one.*

Tourism Business Districts formed by our competitors are collecting more and outspending our South Coast TBID. Additionally, many destinations and regions have a built in increase for tourism funding because they collect TBID funds as a percentage of room revenue and not a flat fee per night, as done by our TBID. Our South Coast TBID collects about \$1.75 million annually. This compares to \$4 million collected by Napa, \$3+ million collected by Santa Monica, \$3.5 million collected by Monterey and \$6 million collected by Palm Springs. Major California cities collect five to six times more, topped by San Diego with a 2% room revenue charge that brings in \$35 million annually.

*Of course, our competition is not limited to California destinations.*

We compete with coastal and resort destinations everywhere. According to TraveEffect.com, “Travel injects \$2 trillion into the U.S. economy.” As the economy continues to ramp up post-recession and travelers start to extend stays and loosen budget restrictions, it is now more important than ever to position Santa Barbara as a standout destination.

## REGIONAL TBID COLLECTIONS

	Amount	Assessment Rate
Major Destinations	\$67,332,000	
San Francisco	\$27,000,000	.75% - 1.5% room revenue
San Diego	\$30,000,000	.55% - 2% room revenue
Los Angeles	\$19,000,000	1.5% room revenue
Wine Country	\$6,200,000	
Napa	\$4,000,000	2% room revenue
Sonoma County	\$2,000,000	2% room revenue
Sonoma City	\$440,000	2% room revenue
LA/South Coast	\$7,079,031	
Huntington Beach	\$1,300,000	2% room revenue
Laguna Beach	\$950,000	2% room revenue
Newport Beach	\$2,500,000	3% room revenue
Santa Monica	\$3,350,000	\$2.25 - \$4.25 per night

Source: Civitas

	Amount	Assessment Rate
Central Coast	\$3,695,000	
Arroyo Grande	\$140,000	2% room revenue
Pismo Beach	\$600,000	1% room revenue
Morro Bay	\$500,000	3% room revenue
San Luis Obispo County	\$1,500,000	2% room revenue
San Luis Obispo City	\$950,000	2% room revenue
Paso Robles	\$500,000	2% room revenue
Atascadero	\$105,000	2% room revenue
North Central Coast	\$4,860,000	
Santa Cruz	\$1,140,000	\$1.00 - \$1.50 per night
Monterey	\$3,500,000	\$.50 - \$2.50 per night
Carmel	\$220,000	\$1.00 per night
The Desert	\$6,000,000	
Palm Springs	\$6,400,000	2% room revenue
The Sierras	\$6,480,000	
Mammoth Lakes	\$4,680,000	1% - 2% Revenue Hotels/ Restaurant Retail
South Lake Tahoe	\$1,800,000	\$3.00 - \$4.50 per night

# IV. THE SANTA BARBARA OPPORTUNITY

After considering both our success and our challenging competition, we are proposing that in FY15/16 the Santa Barbara South Coast Business Improvement District increase its current assessment rate per night, and add two additional tiers; properties that have an annual ADR of \$250-300 and those that have an annual ADR above \$300.

## CURRENT TBID ASSESSMENT

Average Daily Rate	Assessment Rate Per Night
Less than \$100	\$0.50
\$100 - \$150	\$1.00
Over \$150 - \$200	\$1.50
Over \$200	\$2.00

## PROPOSED TBID ASSESSMENT

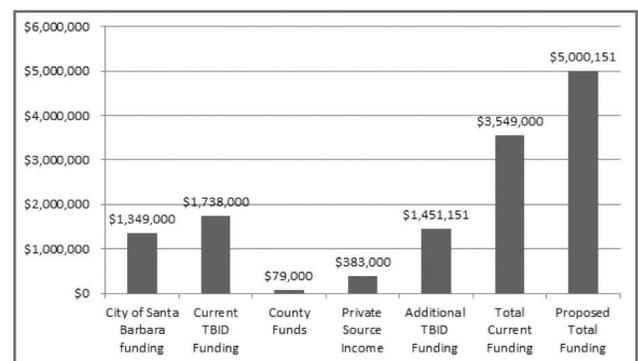
Average Daily Rate	Assessment Rate Per Night
Less than \$100	\$0.75
\$100 - \$149	\$1.50
\$150 - \$199	\$2.25
\$200 - \$249	\$3.00
\$250 - \$299	\$3.50
Over \$300	\$4.00

With the assessment category increases there will be an additional \$1,401,151.00 for marketing outreach. This added to the City, County, Membership and Cooperative Marketing revenue would result in an operating budget for Visit Santa Barbara of approximately \$5.0 million annually.

We believe this increase will have a minimal effect on any consumer decision to visit the destination. These fees are now pervasive throughout California and the sum total of our assessment is considerably lower than most.

The suggested increase will allow Visit Santa Barbara to continue to aggressively grow lodging revenue and keep us on par with other direct competitors.

## VISIT SANTA BARBARA PROPOSED TBID FUNDING



Source: Visit Santa Barbara Destination Strategic Marketing Plan 2013/2014

## WHO PAYS THE ASSESSMENT

Beginning in January 2015, all commercial lodging businesses, regardless of size or category, within the boundaries of the Cities of Santa Barbara, Carpinteria, and Goleta, and portions of unincorporated southern Santa Barbara County will be required to pay the TBID assessment. Assessments would range from \$0.75 to \$4.00 per occupied room night for hotels/motels/inns and \$2.00 per night for vacation rentals.\*

\*The assessment rate categories reflect the proportionate benefit derived by each business type. The rate has been varied according to the estimated benefit to be received by each business type. Businesses with a lower ADR pay a lower rate because, although they will benefit from all of the District's programs, their lower ADR will translate to less revenue received than businesses with a higher ADR. Tourist homes or houses, apartment houses, mobile homes, and house trailers (hereinafter "vacation rentals") are assessed on a per unit basis and at a rate of \$2.00 per night because, although they will benefit from destination marketing designed to increase overnight visitation and the resulting hotel compression, they will not be listed on the website or in promotional materials, be featured in co-op or film advertising, or receive direct sales leads as a result of the TBID efforts. Vacation rentals also differ from other lodging businesses in that they can typically accommodate fewer people and do not charge for rentals on a per-room basis. Because they will benefit less than multi-room lodging businesses, vacation rental businesses will ultimately pay less into the District than multi-room lodging businesses.

## TERM LIMITS AND ESCALATOR CLAUSE

Two increases in the assessment rates have been authorized over the six year term in order to keep pace with the rate of inflation, to remain competitive and to grow market share. These increases will be implemented on January 1<sup>st</sup> of the third and fifth years (2017 and 2019) of the District. These increases will be automatic unless the VSB Board votes not to implement them based upon circumstances that they deem significant. Any increase will be reflected in the annual report.

Assuming that the assessment increases are enacted in years 3 and 5 the annual assessment rates will be as follows:

TBID Escalator (50% Assessment Increase)		
Year 1	Year 3	Year 5
\$0.75	\$0.85	\$0.95
\$1.50	\$1.65	\$1.85
\$2.25	\$2.50	\$2.75
\$3.00	\$3.30	\$3.65
\$3.50	\$3.85	\$4.25
\$4.00	\$4.40	\$4.85

This will result in an estimated annual budget of \$3,151,151 for year 1, \$3,480,050 for year 3, and \$3,849,939 for year 5.

## TBID DESTINATION FUNDS

Local destination marketing funds shall be used for programs which drive room night sales to assessed lodging businesses in Goleta and Carpinteria, respectively. 5.5% of the total collections will be earmarked for these destination TBID funds, with Goleta receiving \$129,985 and Carpinteria receiving \$43,328 in the first year. This funding will adjust annually based on fluctuations with revenue collections.

The amount dedicated to local destination marketing may be adjusted if the bi-annual assessment rate increases are implemented, the amount provided to Carpinteria may increase to \$47,850 in year three and \$52,936 in year five, and the amount provided to Goleta may increase to \$143,552 in year three and \$158,810 in year five.

A destination marketing organization (DMO) in the cities of Goleta and Carpinteria shall receive funds to be spent on local destination marketing activities. For Goleta, the initial DMO will be the Goleta Valley Chamber of Commerce. For Carpinteria, the initial DMO will be the Carpinteria Valley Chamber of Commerce. The DMO shall have responsibility and decision making authority for the funds provided, within the requirements of this Plan.

## RETURN ON INVESTMENT

Visit Santa Barbara estimates the additional \$1,401,151.00 could generate approximately 300,000 new unique website visitors by year 5 compared to 2013/14. Based on the model established in the ROI study this could equate to an additional \$16.5 million in incremental lodging revenue in year 5 of the program.

Of course the benefit does not stop there. Visitors spend time and money throughout the community, enjoying meals, activities and events. This spending generates additional tax revenue which in turn benefits civic and community projects. Another significant benefit is the increase in hospitality industry jobs created as tourism grows. Our travel industry currently generates 12,000 tourism-supported jobs.\*

### VISIT SANTA BARBARA PROPOSED TBID FUNDING ESTIMATED RETURN ON INVESTMENT

	2013/2014 Baseline Year	Projected Increase	
		Year 1	Year 5
Unique website visitors	1,283,374	1,486,243	1,596,471
Incremental unique website visitors		202,869	313,097
Influence Rate	9%	9%	9%
Length of Stay	2.5	2.5	2.5
Average Daily Rate	\$189	\$190	\$198
Revenue	\$54,575,479.35	\$63,536,888.25	\$71,122,783.05
Projected Incremental Revenue from Baseline		\$8,961,408.90	\$16,547,303.70
Investment above current \$1.7M TBID Funds		\$1,401,151.00	\$2,300,000.00
Estimated ROI		\$6.4	\$7.6

Source: Visit Santa Barbara Destination Strategic Marketing Plan 2014/15 draft

#### Notes & Assumptions:

##### Year 1:

1. Currently VSB collects approximately \$1.75M in TBID funds. The model is designed to assess the impact of new TBID funds in addition to those funds. In the case of Year 1 total TBID collections (included old and new TBID funds) would be \$3,151,151. The difference between the \$1.75M previously collected and new anticipated funds is \$1,401,151. ( $\$3,151,151 - \$1,750,000 = \$1,401,151$ ).
2. Incremental unique website visitors is calculated using the two year average for the cost per unique website visitor is \$5.18 ( $\$5.75 + \$4.60 / 2 = \$5.18$ ).
3. We also assume that because VSB will be working to influence visitors from destination markets and during times of the year that have lower demand that their efforts may not be as efficient as those in the core Southern California market. As such we estimate VSB will be 75% as efficient in generating new unique website visitors. As such  $\$1,401,151 \text{ TBID investment} / \$5.18 \times 75\% = 202,869$
4. Baseline unique visitors is based on 2013/14 year end estimates. (MMGY estimates)
5. Year 1 unique website visitors is estimated to be 1,486,243 ( $1,283,374 + 202,869 = 1,486,243$ )
6. Based on 210,108 new incremental website visitors at an influence to visit rate of 9% with an average length of stay of 2.5 nights and an average daily rate \$190 it is estimated that incremental lodging revenue is \$8.6.
7. To calculate the Return on Investment (ROI) take the incremental revenue \$8.6M divided by the new incremental TBID funds \$1.4M which = \$6.4 dollars for each dollar spent.

##### Year 5:

1. Taking a longer view and assuming the economy keeps moving forward and there are no exogenous events that negatively impact tourism when we compare Year 5 to the current baseline years using the same methodology that was identified in Year 1 it is estimated there incremental lodging revenue above the baseline is \$16.5M with a ROI in year 5 of \$7.6 for each dollar spent.

## OVERSIGHT

Representatives of the renewed district would continue to maintain a strong presence in the oversight of all TBID funding, working closely with Visit Santa Barbara Board of Directors and staff on the planning, implementation and measurement of TBID funds, assuring that they would be focused on generating new room night sales and increased revenue for TBID members.

\*Source: 2012/2013 Santa Barbara South Coast Visitor Profile Study



# V. THINK BIG!

*Visit Santa Barbara aims to define and create opportunities that are as unique as the destination itself.*

Creative positioning and an integrated long-term strategy help ensure that the Santa Barbara South Coast is as memorable as it is desirable. Although Visit Santa Barbara’s annual action plan includes hundreds of initiatives, these specific programs demonstrate how VSB would use additional TBID funding to fuel visitation to the area:

## NON-PEAK SEASONS



Implement programs that attract destination visitors and increase visitation during non-peak seasons or “opportunity seasons”. This includes expanded promotional messaging and partner programming that offers travelers good reason to visit during winter and shoulder seasons.

## SALES DEPT. EXPANSION



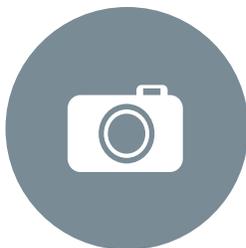
Expand the Sales Department to target the meeting and conference market.

## FILMING INCENTIVES



Incentivize commercial and film producers to shoot their projects in Santa Barbara County.

## MORE FAM TRIPS



Increase the number of journalist familiarization trips, bringing key editorial influencers in-market to experience the Santa Barbara South Coast first-hand.

## INDUSTRY ALLIANCES



Nurture key industry alliances with organizations such as Central Coast Tourism, Visit California, and Brand U.S.A. to infuse regional and national marketing messages with Santa Barbara-specific content, helping to collectively raise the tourism tide.

## MUSIC MARKETING



Develop a music marketing program that industry partners can use to promote the brand.

## SNOW CAMPAIGN



Create turn-key “Snow” marketing initiatives to promote Santa Barbara during times when the remainder of the country is experiencing bad weather.

## INTERNATIONAL



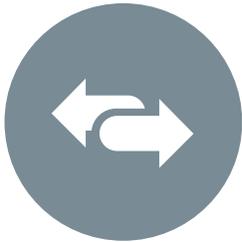
Expand international outreach to emerging markets such as Korea, China, Brazil and more.

## TV & RADIO



Develop a television and radio advertising strategy.

## NEW PARTNERSHIPS



Create ground breaking partnerships with iconic Santa Barbara companies.

## PROMOTE SMALL HOTELS



Develop campaign to promote the smaller, limited service hotels.

## INNOVATIVE DELIVERY



Create innovative ways to deliver Santa Barbara content to potential visitors.

## POP-UP EVENTS



Produce “pop-up” events in key markets to generate consumer and media awareness for Santa Barbara.

## NEW AIR SERVICE



Collaborate with Santa Barbara Airport staff to attract new air service.

## MEETING INCENTIVES



Incentivize conferences and meetings to book at South Coast hotels from November - February.

## WEBSITE REDESIGN



Redesign official tourism website, SantaBarbaraCA.com, to showcase the breadth of attractions, lodging and reasons to visit the destination.

## RESEARCH



Conduct a brand study.

## MARKET TARGETING



Expand spot market media programs, providing targeted reach of growth markets such as Chicago and New York City.



## VI. KEY QUESTIONS TO ASK OURSELVES

1. Should we have a unified vision of Santa Barbara as a top resort destination not only in California but nationally?
2. What are the rewards we could expect if we increase our tourism marketing budget to the levels of other communities that we compete against?
3. What level of growth should we, as a tourism destination, aspire to?
4. As the economy improves should we seize the opportunity to develop new markets in the U.S and abroad?



HOTELIER OUTREACH MEETINGS	MAY 2014
RENEWAL - RESOLUTION REQUESTING CONSENT SANTA BARBARA CITY COUNCIL	JULY 2014
FINALIZE MDP & PETITION	JULY 2014
PETITION DRIVE BEGINS	AUGUST 2014
RENEWAL - RESOLUTION GRANTING CONSENT CARPINTERIA CITY COUNCIL	AUGUST 2014
SUBMIT PETITIONS TO CITY	AUGUST 2014
RENEWAL - RESOLUTION GRANTING CONSENT COUNTY BOARD OF SUPERVISORS	SEPTEMBER 2014
RENEWAL - RESOLUTION GRANTING CONSENT GOLETA CITY COUNCIL	SEPTEMBER 2014
RENEWAL - RESOLUTION OF INTENTION SANTA BARBARA CITY COUNCIL	SEPTEMBER 2014
RENEWAL - PUBLIC MEETING SANTA BARBARA CITY COUNCIL	SEPTEMBER 2014
RENEWAL - RESOLUTION OF FORMATION / MODIFICATION RESOLUTION OF INTENTION	OCTOBER 2014
MODIFICATION - PUBLIC HEARING SANTA BARBARA CITY COUNCIL	NOVEMBER 2014
MODIFICATION - FINAL HEARING SANTA BARBARA CITY COUNCIL	DECEMBER 2014
FINAL DAY OF EXISTING DISTRICT	DECEMBER 31, 2014
BEGIN NEW COLLECTIONS	JANUARY 1, 2015

“Twenty years from now you will be more disappointed by the things you didn’t do than by the ones you did do. So throw off the bowlines, sail away from the safe harbor. Catch the trade winds in your sails. Explore. Dream. Discover.”

– MARK TWAIN

VISIT  
**SANTA BARBARA**  
THE AMERICAN RIVIERA®



**RESOLUTION NO. 2014 - \_\_\_\_\_**

**A RESOLUTION OF THE COUNCIL OF THE CITY OF SANTA BARBARA  
REQUESTING CONSENT OF THE CITIES OF CARPINTERIA AND GOLETA,  
AND THE COUNTY OF SANTA BARBARA TO RENEW THE SANTA  
BARBARA SOUTH COAST TOURISM BUSINESS IMPROVEMENT DISTRICT**

WHEREAS, the City Council of the City of Santa Barbara desires to begin proceedings to renew the Santa Barbara South Coast Tourism Business Improvement District (“SBSCTBID”);

WHEREAS, certain tourism business owners have requested that the City Council (the “Council”) of the City of Santa Barbara (the “City”) renew the SBSCTBID; and

WHEREAS, the territory proposed to be included in the SBSCTBID lies within the boundaries of the cities of Carpinteria and Goleta, and the County of Santa Barbara (the “cities and county”), as shown on the map attached hereto as Exhibit A and incorporated herein by such attachment; and

WHEREAS, the assessed businesses in the area of the cities and county which lies within the boundaries of the proposed SBSCTBID will, in the opinion of the Council, be specifically benefited by the improvements and activities, and the purpose sought to be accomplished by the work can best be accomplished by a single comprehensive scheme of work;

NOW, THEREFORE, be it resolved by the City Council of the City of Santa Barbara that:

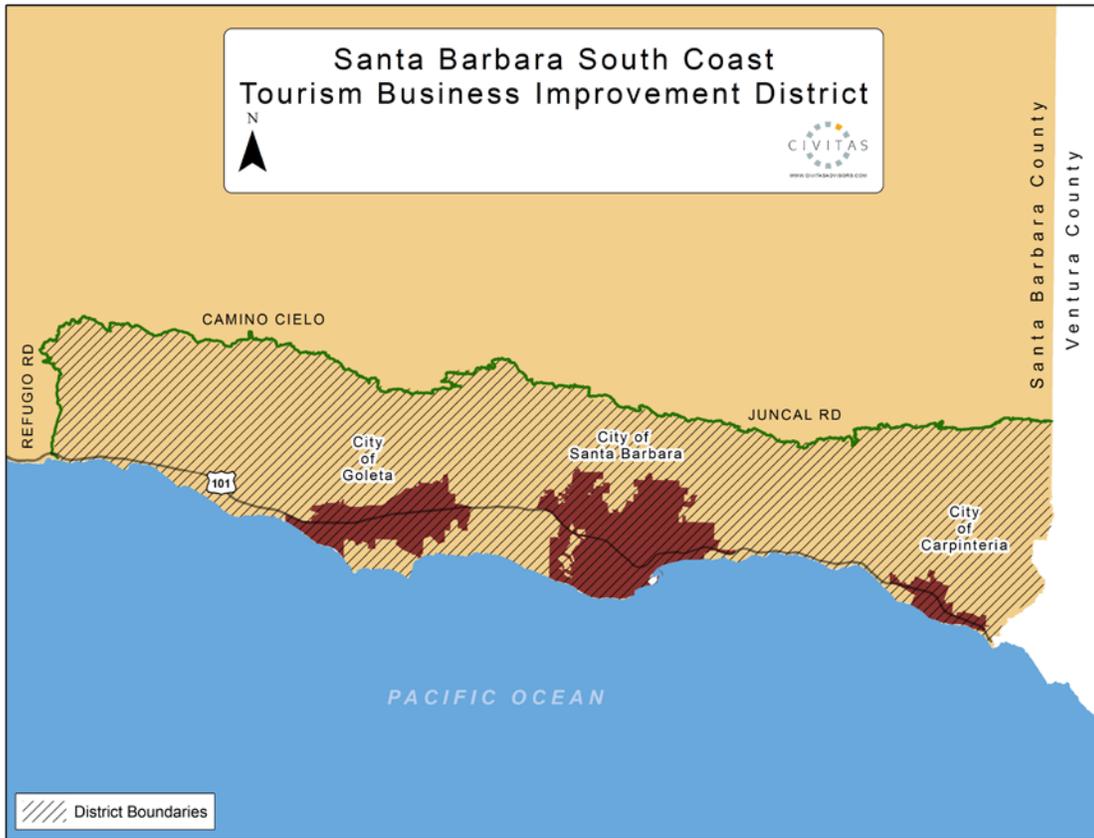
Section 1: The above recitals are true and correct.

Section 2: Consent of the cities and county, through their City Councils and Board of Supervisors, is hereby requested to renew the SBSCTBID, and to grant to the Council jurisdiction for all the purposes in connection with creation and operation of the proposed SBSCTBID.

Section 3: The Clerk of the Council is hereby directed to transmit a certified copy of this Resolution to the Clerks of the cities of Carpinteria and Goleta, and the County of Santa Barbara.

ON MOTION duly made, seconded, and carried the foregoing resolution was passed and adopted by the City Council of the City of Santa Barbara, State of California, this \_\_\_\_ day of \_\_\_\_\_, 2014 by the following vote:

# EXHIBIT A BOUNDARY MAP





# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** July 29, 2014

**TO:** Mayor and Councilmembers

**FROM:** Community and Media Relations, Police Department

**SUBJECT:** Police Department Explorer Program Funds

### **RECOMMENDATION:**

That Council accept a donation of \$200 from Montecito Firefighters Fund for the Explorer Program and increase appropriations and estimated revenues in the Police Department Miscellaneous Grants Fund for the Explorer Program by \$200.

### **DISCUSSION:**

The Montecito Firefighters Association requested the assistance of the Santa Barbara Police Department Explorer Post for their 19<sup>th</sup> Annual 4<sup>th</sup> of July Pancake Breakfast. This event is a fundraiser for the Montecito Firefighters Charitable Foundation and attracted over 1,000 participants. The Explorers helped with the set-up and breakdown of tables and chairs and bussed tables during the event. The Montecito Firefighters Association donated \$200 to the Explorer Program for their service.

The money donated will be used to pay for travel, uniforms, and equipment associated with participation in multi-agency competitions and attendance in an Explorer Academy.

The Santa Barbara Police Department's Explorer post currently has 24 Police Explorers, ages 15-20, preparing for careers in law enforcement.

### **BUDGET/FINANCIAL INFORMATION:**

This donation will be used to cover costs associated with the Explorer Program.

**PREPARED BY:** Riley Harwood, Sergeant/LSP

**SUBMITTED BY:** Camerino Sanchez, Chief of Police

**APPROVED BY:** City Administrator's Office



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** July 29, 2014

**TO:** Mayor and Councilmembers

**FROM:** Recreation Division, Parks and Recreation Department

**SUBJECT:** Agreements For Afterschool Programs

**RECOMMENDATION:** That Council:

- A. Authorize the Parks and Recreation Director to enter into three agreements with the Santa Barbara Unified School District (SBUSD) for the Recreation Afterschool Program (RAP), Afterschool Opportunities for Kids (A-OK), and Junior High Afterschool Sports Program; and
- B. Increase appropriations and estimated revenues in the Fiscal Year 2015 Parks and Recreation Department Miscellaneous Grants Fund in the amount of \$3,879.

### **DISCUSSION:**

Each year, the City and SBUSD enter into agreements to define terms and budgets for the administration of afterschool recreation programs (RAP, A-OK and Junior High). The programs are an important City service that provides essential support to families during the crucial afterschool hours. National statistics show that the afterschool hours, between 3:00 to 6:00 p.m., have the highest incidents of juvenile crime and youth engaging in inappropriate behaviors.

### **Afterschool Program Overview**

#### Recreation Afterschool Program (RAP)

The RAP program provides recreation services, homework help, and afterschool care at four elementary school sites for 16 hours per week. In Fiscal Year 2014, 450 participants attended the program. With continuing program quality improvements and the support of school Principals, staff expects a slight increase in participation during Fiscal Year 2015. The program is very affordable; participants either pay \$150 for 30 days of service, \$70 for a drop-in 10-day pass, or a one-day drop-in fee of ten dollars per day. The City continues its support by providing \$60,000 through the General Fund for Scholarships, which is unchanged from previous years. Scholarship recipients are

usually students receiving “free or reduced” lunches through the School District, or those in need of assistance as identified by school Principals.

#### Afterschool Opportunities for Kids (A-OK)

Jointly funded since Fiscal Year 2000, A-OK provides an afterschool tutorial and enrichment program at seven, Title I elementary school sites through After School Education and Safety (ASES) state grant funding. Title I schools have over 50% of their student population receiving “free or reduced” lunches. The District leads the program, which targets students achieving academic scores below grade level. The program is provided through collaboration with and funding by the SBUSD, City, Healthy Start, and several other non-profit partners. During Fiscal Year 2014, 862 participants attended the program, which averaged 680 participants per day. Participants pay \$20-\$30 per month (sliding scale) for the program. The District contracts with the Parks and Recreation Department to provide recreation and enrichment activities. The Fiscal Year 2015 A-OK agreement contract amount increased this year at the District’s request to include a seventh school site, Santa Barbara Community Academy, which began in October 2013.

#### Junior High Afterschool Sports Program

The Junior High Afterschool Sports Program has been offered for over 20 years on all four junior high campuses through collaboration with SBUSD. In Fiscal Year 2014, the District took over operation of the program. They implemented the program utilizing certificated teachers and coaches, who have the best chance of engaging student participants. This year’s agreement includes terms for the District to provide participation numbers annually.

#### **BUDGET/FINANCIAL INFORMATION:**

The RAP budget of \$247,856 was approved in the Fiscal Year 2015 Parks and Recreation Department General Fund budget, including \$207,000 in service fee revenue and \$60,000 in City contributions for scholarships. The A-OK budget of \$225,531 was approved in the Fiscal Year 2015 Miscellaneous Grants Fund. A \$3,879 increase for an additional school site in the Parks and Recreation Department Miscellaneous Grants Fund will be offset by a corresponding revenue increase provided by the District. The City’s General Fund contribution to support the A-OK program is \$47,385, unchanged from previous years. The City’s program support of the Junior High Afterschool Sports Program remains unchanged at \$20,000 and is included in the Fiscal Year 2015 Parks and Recreation Department General Fund budget.

#### **SUMMARY:**

The Parks and Recreation Department recommends that the City continue support of the afterschool programs. The A-OK agreement was approved on the June 24, 2014,

SBUSD Board of Education agenda. The RAP and Junior High agreements were approved on the July 8, 2014, SBUSD Board of Education agenda. These agreements are for one year ending June 30, 2015.

Copies of these agreements are on file in the City Clerk's Office for public review.

**PREPARED BY:** Sarah Hanna, Recreation Programs Manager

**SUBMITTED BY:** Nancy L. Rapp, Parks and Recreation Director

**APPROVED BY:** City Administrator's Office



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** July 29, 2014

**TO:** Mayor and Councilmembers

**FROM:** Recreation Division, Parks and Recreation Department

**SUBJECT:** City And School District Agreement For Joint Use, Programming, Maintenance, And Development

### **RECOMMENDATION:**

That Council approve and authorize the City Administrator to execute a five-year agreement between the City and Santa Barbara Unified School District (District) for Joint Use, Programming, Maintenance, and Development.

### **DISCUSSION:**

Approved in July 1991, revised in January 2003 and January 2006, the City and District have had an Agreement for Joint Use, Programming, Maintenance, and Development. The City and District are mutually interested in the provision of adequate facilities for the recreation and education of the citizens of the community and students of the District. They have deemed it necessary and desirable to cooperate with one another in the development of joint use of recreational facilities, and sharing of facility resources to ensure efficient utilization of resources.

The agreement has terms and conditions to afford joint planning and development of respective facilities through regular meetings and sharing of information. In addition, the agreement specifies scope, process and conditions for joint facility and vehicle use, afterschool recreation programming, maintenance and standards of jointly developed and used facilities, park ranger program services, and establishment of the City/District Joint Use Committee. The most recent agreement expired on June 30, 2010.

Through regular meetings, City and District staff have been working to update the agreement to keep it current, support efficient processes, and be reflective of desired changes to mutually agreed-upon terms. Several modifications to the agreement are recommended including:

- Additions and deletions of facility sites that reflect current use and agreed-upon access or limitations

- Scheduling priority terms that allow both agencies to enter into use agreements with other organizations for construction or reconstruction of fields or structures
- Terms specifying reimbursement for direct costs of facility use (custodial, cleaning, monitors)
- Deletion of City responsibility for maintenance of District's athletic fields and transfer of responsibility, expense and revenue for sports fields scheduling and monitoring to District
- New terms for scheduling and use of the field "top-dresser" which was jointly purchased in 2006
- New use terms for the City's Public Works Fuel Bay and Yanonali Wash Station by Districts' vehicles, and
- Term of the agreement to end on June 30, 2019.

The draft agreement has been reviewed by respective administrative staff and legal counsels. The agreement was approved at the Santa Barbara Unified School District Board of Education meeting on July 8, 2014.

City and District staff continue to enjoy mutually cooperative communication, which results in numerous educational and recreational benefits for the citizens and students of our community and an efficient use of resources.

**BUDGET/FINANCIAL INFORMATION:**

The Agreement for Joint Use, Programming, Maintenance, and Development does not identify expenditure or revenue budgets or appropriations for the City or District. Separate specific agreements are entered into with the District annually that identify funding and appropriation commitments.

A copy of this agreement is on file in the City Clerk's Office for public review.

**PREPARED BY:** Sarah Hanna, Recreation Programs Manager

**SUBMITTED BY:** Nancy L. Rapp, Parks and Recreation Director

**APPROVED BY:** City Administrator's Office



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** July 29, 2014

**TO:** Mayor and Councilmembers

**FROM:** Recreation Division, Parks and Recreation Department

**SUBJECT:** City And School District Joint Use Park Ranger Patrol Services Agreement

**RECOMMENDATION:** That Council:

- A. Authorize the City Administrator to enter into a one-year agreement with the Santa Barbara Unified School District (District) for Park Ranger Patrol Services at District properties at a cost of \$31,420; and,
- B. Increase the Parks and Recreation Fiscal Year 2015 estimated revenues and appropriations by \$11,420.

**DISCUSSION:**

For the past 23 years, the City and District have had a Park Ranger Patrol Services Agreement whereby Park Rangers patrol school sites as outlined in the agreement.

This agreement states that the District shall pay the City \$31,420 annually for Park Ranger Services, payable in two installments of \$15,710 on July 30<sup>th</sup> and January 30<sup>th</sup>. Under this agreement, Park Rangers patrol Santa Barbara Junior High and La Cumbre Middle School seven days per week from 3:30 p.m. until dark; La Colina Junior High School, Santa Barbara Junior High School, Santa Barbara High School, and La Cumbre Middle School on weekends from 11:00 a.m. until 7:00 p.m.; and Franklin, McKinley, Harding, Washington, Cleveland, Roosevelt, Adams, and Monroe Elementary Schools on weekends and holidays from 11:00 a.m. – 7:00 p.m. Duties include documenting and reporting graffiti and vandalism; patrolling facilities and checking doors and windows to ensure buildings are secure; coordinating with school Principals and school administration on security needs and problems; issuing parking and alcohol citations as necessary; and similar related duties. Park Rangers will also enforce appropriately adopted rules and prohibitions per District direction.

On July 8, 2014, the School Board approved the execution of the agreement with the City.

**BUDGET/FINANCIAL INFORMATION:**

The funding of \$31,420 will provide Park Ranger services fifty-two (52) weeks per year. Included in the adopted Fiscal Year 2015 Parks Division budget is \$20,000 in revenue for Park Ranger Services. The additional \$11,420 in estimated revenues and appropriations will bring the total for this program to \$31,420.

**SUMMARY:**

The Parks and Recreation Department recommends that the City continue support of the Joint Use Park Ranger Patrol Services Agreement. This agreement is for one year ending June 30, 2015.

A copy of this agreement is on file in the City Clerk's Office for public review.

**PREPARED BY:** Santos Escobar, Parks Manager

**SUBMITTED BY:** Nancy L. Rapp, Parks and Recreation Director

**APPROVED BY:** City Administrator's Office



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** July 29, 2014

**TO:** Mayor and Councilmembers

**FROM:** Recreation Division, Parks and Recreation Department

**SUBJECT:** Lease Agreements For The Westside Neighborhood Center And Louise Lowry Davis Center

**RECOMMENDATION:** That Council:

- A. Authorize the Parks and Recreation Director to execute a one-year lease agreement with Special Olympics for facility space at the Westside Neighborhood Center for an annual rate of \$17,062.56;
- B. Authorize the Parks and Recreation Director to execute a one-year lease agreement with UCP/Work Inc., for facility space at the Westside Neighborhood Center for an annual rate of \$51,925.68; and
- C. Authorize the Parks and Recreation Director to execute a one-year lease agreement with United Cerebral Palsy Association of Los Angeles, Ventura, and Santa Barbara Counties, for facility space at the Louise Lowry Davis Center for an annual rate of \$2,553.48.

### **DISCUSSION:**

The Parks and Recreation Department administers lease agreements for facility space at below market rates with local non-profit social service providers at neighborhood centers. All leases are negotiated annually and commence on July 1, 2014. The non-profit agencies listed are renewal leases.

Copies of these agreements are available in the City Clerk's office for public review.

### **BUDGET/FINANCIAL INFORMATION:**

The monthly rental rate for leased space is \$1.23 per square foot, as adopted by Council on June 17, 2014. Revenue is budgeted in the Parks and Recreation Fiscal Year 2015 budget.

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Lease Agreements For The Westside Neighborhood Center And Louise Lowry Davis  
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**ATTACHMENT(S):** Fiscal Year 2014-15 Lease Schedules

**PREPARED BY:** Mark Alvarado, Neighborhood and Outreach Services Senior  
Supervisor

**SUBMITTED BY:** Nancy L. Rapp, Parks and Recreation Director

**APPROVED BY:** City Administrator's Office

## NEIGHBORHOOD CENTERS FY 15 LEASE SCHEDULE

Lease rate at \$1.23 per square foot

### WESTSIDE COMMUNITY CENTER 423 W. Victoria Street

<u>Organization</u>	<u>Leased</u>	<u>Allocated Space</u>	<u>Total Sq. Ft.</u>	<u>Per Month</u>	
UCP Work, Inc.	3,044	474	3,518	\$4,327.14	\$51,925.68
Santa Barbara Special Olympics	992	164	1,156	\$1,421.88	\$17,062.56
	4,036	638	4,674	\$5,749.02	<b>\$68,988.24</b>

### LOUISE LOWRY DAVIS CENTER 1232 De La Vina Street

<u>Organization</u>	<u>Leased</u>	<u>Allocated Space</u>	<u>Total Sq. Ft.</u>	<u>Per Month</u>	
United Cerebral Palsy of Los Angeles, Ventura, and Santa Barbara Counties	173	0	173	\$212.79	<b>\$2,553.48</b>



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** July 29, 2014

**TO:** Mayor and Councilmembers

**FROM:** Transportation Division, Public Works Department

**SUBJECT:** Sole Source Vendor For Clean Air Express Passes

**RECOMMENDATION:** That Council:

- A. Authorize the City's General Services Manager to issue a Purchase Order in the amount of \$30,000 for Fiscal Year 2015 to the City of Lompoc, to purchase Clean Air Express Passes for the Work Trip Reduction Incentive Program pursuant to the sole source provisions of Santa Barbara Municipal Code Section 4.52.070(k); and
- B. Authorize the City Administrator, subject to future appropriations, to approve renewal of the purchase order or other similar contract for the five years ending in 2019.

### **DISCUSSION:**

On January 23, 2007, Council received a report from staff describing proposed enhancements to the City's existing Alternative Transportation Demand Management Program. This program was refashioned into the Work Trip Reduction Incentive Program. Its purpose was to help the City meet both its Sustainability and Circulation Element goals by setting the example as a model employer, in reducing the employee single-passenger driving rate, and by providing expanded commuter benefits.

One of the benefits and incentives the City offers its employees is a 75 percent subsidy towards long distance bus passes. The Clean Air Express is operated by the City of Lompoc and is the only service to provide long distance transit from Santa Maria, Lompoc, and the Santa Ynez Valley to Santa Barbara. As such, staff is requesting that Council authorize the General Services Manager to issue a purchase order to the City of Lompoc for bus passes for the Clean Air Express under the sole source provisions set forth in Santa Barbara Municipal Code Section 4.52.070(k).

### **BUDGET/FINANCIAL INFORMATION:**

The cost for this year's expense to the Clean Air Express is estimated to be \$30,000, making adjustments as needed in future years for potential fee increases and

anticipated increased participation. There are sufficient appropriated funds in the Transportation Division's Work Trip Reduction Incentive Program (Work TRIP) to cover the cost of the services.

**SUSTAINABILITY IMPACT:**

The Clean Air Express, with its current participation, saves approximately 250,000 miles per year of drive-alone trips by participating employees.

Since Work TRIP's initiation on July 1, 2007, over 3 million miles have been cut out of City employee commutes; 65,500 trips to the workplace have been eliminated; and 2.8 million pounds of emissions, 144,000 gallons of fuel, and over \$1.6 million dollars have been saved.

Over the last five years, 538 employees have chosen commute options other than driving alone to the workplace and have logged trips with the commute calendar tool that the City uses to track participation.

**PREPARED BY:** Browning Allen, Transportation Manager/kts

**SUBMITTED BY:** Rebecca J. Bjork, Public Works Director

**APPROVED BY:** City Administrator's Office



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** July 29, 2014

**TO:** Mayor and Councilmembers

**FROM:** Engineering Division, Public Works Department

**SUBJECT:** Increase In Construction Change Order Authority For The Punta Gorda Street Bridge Replacement Project

**RECOMMENDATION:** That Council:

- A. Authorize an increase in the Public Works Director's change order Authority to approve expenditures for extra work for the Punta Gorda Street Bridge Replacement Project, Contract No. 24,514, in the amount of \$148,000, for a total Project expenditure authority of \$3,580,037;
- B. Increase appropriations in the amount of \$148,000 from Measure A reserves to transfer to the Streets Fund for the Punta Gorda Street Bridge Replacement Project, Contract No. 24,514; and
- C. Increase estimated revenue and appropriations in the amount of \$148,000 in the Streets Fund for the transfer of Funds from the Measure A Fund to cover the cost of the Punta Gorda Street Bridge Replacement Project.

### **DISCUSSION:**

#### **BACKGROUND**

For many years, the City has been planning to widen Sycamore Creek north of the U.S. Highway 101 Bridge to reduce the probability of flooding in the neighborhood.

On September 7, 2012, the City received a notification from the California Department of Housing and Community Development of an approval of Disaster Recovery Initiative grant funds in the total amount of \$2,662,525, for a project to widen the creek channel and replace the Punta Gorda Street Bridge.

On May 21, 2013, Council awarded a construction contract to Shaw Contracting, Inc. (Shaw), in their low bid amount of \$1,865,964.50, which included \$186,600 to cover any cost increases that may result from contract change orders. Staff notified Shaw on July 1, 2013, to proceed with the construction.

## Council Agenda Report

### Increase In Construction Change Order Authority For The Punta Gorda Street Bridge Replacement Project

July 29, 2014

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On October 29, 2013, Council approved an increase in Change Order (CO) authority of \$160,000 for the Punta Gorda Street Bridge Replacement Project (Project). The increase in CO authority was due to the delay caused by Southern California Edison (SCE) not being able to complete the relocation of its overhead electric transmission facilities by their committed finish date. The placement of a concrete foundation by SCE for a new tubular steel pole was needed to relocate the existing overhead electric lines on Punta Gorda Street. The increased CO authority amount of \$160,000 was based on Shaw's submittal of extra work costs at that time.

On November 19, 2013, staff suspended the Project due to the delay and regulatory permitting restrictions during the winter season. The regulatory permits restricted construction activity in the creek until after July 1, 2014.

#### CURRENT STATUS

Staff authorized Shaw to re-mobilize its labor forces and equipment starting July 14, 2014. The work to be completed includes:

- Bridge abutments and deck;
- Sanitary sewer siphon system;
- Roadway approaches;
- Minor curbs, gutters, and sidewalks; and
- Reinstallation of water system, gas main, street light, and bus stop shelter.

Shaw submitted an extra work proposal for remobilization. If approved, this cost will reduce the remaining CO authority to approximately one percent of the current construction contract amount, in which approximately half of the work is still left to be completed. Staff is requesting another increase in CO authority to cover any cost increases that may result from contract change orders for the remaining work of the Project.

#### **BUDGET/FINANCIAL INFORMATION:**

The increase in the CO authority that was approved by Council on October 29, 2013, was staff's best estimate of costs of the SCE delay at the time, which included:

- Re-scheduling of work or out-of-schedule sequence work;
- Idle equipment costs prior to the suspension of the Project;
- Extra work preparing the Project for the winter season, including de-mobilization of labor forces and equipment and maintenance of construction area signs/traffic control system, and temporary fencing and winterization/erosion control facilities; and
- Re-mobilization of labor forces and equipment.

The total cost incurred due to the SCE delay is approximately \$260,000. The balance of the current CO authority will not be sufficient to cover any cost increases that may result from contract change orders for the remaining work of the Project. Staff requests an increase in CO authority in the amount of \$148,000, which is approximately ten percent of the remaining work.

**FUNDING**

The following summarizes the additional expenditures recommended in this report:

**CONSTRUCTION CONTRACT FUNDING SUMMARY**

	<b>Base Contract</b>	<b>Change Order</b>	<b>Total</b>
Initial Contract Amount	\$1,865,965	\$186,600	<b>\$2,052,565</b>
Previous Increase (Council approved October 29, 2013)		\$160,000	<b>\$160,000</b>
Proposed Increase		\$148,000	<b>\$148,000</b>
<b>Totals</b>	<b>\$1,865,965</b>	<b>\$494,600</b>	<b>\$2,360,565</b>

A claim was filed with SCE for reimbursement of the costs attributable to the delay. There are sufficient reserve funds in the Measure A Fund to cover any cost increases that may result from contract change orders for the remaining work on the Project.

**PREPARED BY:** Linda Sumansky, Principal Civil Engineer/JI/mj

**SUBMITTED BY:** Rebecca J. Bjork, Public Works Director

**APPROVED BY:** City Administrator's Office



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** July 29, 2014

**TO:** Mayor and Councilmembers

**FROM:** City Administrator's Office

**SUBJECT:** Community Promotion Contract With Summer Solstice Celebration

### **RECOMMENDATION:**

That Council authorize the City Administrator to execute an annual community promotion contract with Summer Solstice Celebration, Inc. in the amount of \$64,000 to support year-round administrative expenses for the community event.

### **DISCUSSION:**

The Fiscal Year 2015 budget adopted by Council on June 17, 2014 includes \$64,000 under Community Promotions for Summer Solstice Celebration, Inc. to plan next year's public arts workshop, annual parade, and festival. This contract will help support year-round administrative expenses for the organization. The term of the contract extends over the period of August 1, 2014 through June 30, 2015. The proposed agreement is modified for the upcoming year to expire on June 30 to more closely align with the fiscal year for future agreements.

The organization plans the annual Summer Solstice parade along State Street with a creative display of floats, giant puppets, whimsical costumes and masks, involving over 1,000 parade participants. In addition to the parade, the festivities continue over the weekend in Alameda Park with live music, food, arts and crafts. Summer Solstice will be celebrating its 40<sup>th</sup> anniversary with the event scheduled from June 19 to 21, 2015.

The economic impact from arts and cultural events in Santa Barbara is significant. Cultural arts programs and events provide a major boost to the local economy through sponsorships, services, supplies, and employee salaries. Recognizing cultural arts as a vital component of the community's economic vitality and the importance of providing free entertainment to the community, the City provides \$2.6 million for events, festivals, and arts and community promotion organizations.

The contract is available for review in the City Clerk's Office at City Hall at 735 Anacapa Street.

**SUBMITTED BY:** Nina Johnson, Assistant to the City Administrator

**APPROVED BY:** City Administrator's Office

AN ORDINANCE OF THE COUNCIL OF THE CITY  
OF SANTA BARBARA ESTABLISHING  
REGULATIONS FOR EMERGENCY SHELTERS AS A  
PERMITTED USE IN THE C-M ZONE.

WHEREAS, Senate Bill 2 was enacted in 2007, requiring all cities and counties in California to provide at least one zoning district which allows emergency shelters without a conditional use permit or other discretionary approval;

WHEREAS, on December 1, 2011, the City Council adopted an update to the General Plan, including policies in the Housing Element directing amendments to Title 28 of the Municipal Code in compliance with Senate Bill 2 requiring emergency shelters in at least one zone without any discretionary permits (Council Resolution No. 11-079);

WHEREAS, the 2011 Housing Element contains Implementation Action H4.1 directing Municipal Code amendments to the C-M (Commercial Manufacturing) zone to allow emergency shelters without a conditional use permit or other discretionary action;

WHEREAS, upon further review and consultation with the City Attorney's Office, it was determined that the City is in compliance with the requirements of Senate Bill 2 because multiple zones exist which allow the development of hotels that are, in effect, "overnight accommodation" uses similar to overnight emergency shelter for the homeless;

WHEREAS, under the City's Zoning Ordinance, facilities that provide overnight shelter to the homeless are also considered short-term, transitional accommodations similar to a hotel use and are allowed without a conditional use permit in all zones that permit overnight accommodations;

WHEREAS, overnight accommodations are allowed in the R-4 (Hotel-Motel-Multiple Residence), HRC-1 and HRC-2 (Hotel and Related Commerce), R-H (Resort Residential), C-P (Restricted Commercial), C-L and C-1 (Limited Commercial), C-2 (Commercial), C-M (Commercial Manufacturing), OC (Ocean-Oriented Commercial), M-1 (Light Manufacturing), and OM-1 (Ocean-Oriented Light Manufacturing) zones;

WHEREAS, on November 12, 2013, the City Council initiated amendments to the Zoning Ordinance to permit emergency shelters with minimal supportive services without a conditional use permit or other discretionary approval in existing zones where overnight accommodations are allowed;

WHEREAS, on May 13, 2014, the City Council Ordinance Committee held a public hearing to review the draft Emergency Shelter Zoning Ordinance and voted 2/1 to forward the ordinance amendments to the Planning Commission for further review and refinement;

WHEREAS, on June 12, 2014, the Planning Commission held a duly noticed public hearing to review the draft Emergency Shelter Zoning Ordinance and after discussing the key components of the ordinance voted 6/1 to forward the ordinance amendments with revisions to the City Council for adoption;

WHEREAS, on July 15, 2014, the City Council held a duly noticed public hearing to consider adopting ordinance amendments to the Municipal Code adding Chapter 28.79 establishing development and management standards for emergency shelters with minimal supportive services;

adding Section 28.04.273 to define emergency shelters consistent with State law; amending Sections 28.21.030, 28.54.030, 28.57.030, 28.63.030, 28.66.030, and 28.69.030 to add emergency shelter as a permitted use; and amending Section 28.94.030.W to specify which emergency shelters require a Conditional Use Permit;

WHEREAS, the City Council continued the public hearing for further discussion to consider the proposed ordinance allowing emergency shelters as a permitted use in the R-4, C-P, C-L, C-1, C-2, and C-M Zones or another option which would allow emergency shelters as a permitted use in only the C-M Zone;

WHEREAS, on July 22, 2014, the City Council held a duly noticed public hearing to adopt ordinance amendments to the Municipal Code adding Chapter 28.79 establishing development and management standards for emergency shelters with minimal supportive services; adding Section 28.04.273 to define emergency shelters consistent with State law; amending Section 28.69.030 to add emergency shelter as a permitted use; and amending Section 28.94.030.W to specify which emergency shelters require a Conditional Use Permit; and

WHEREAS, a Program Final Environmental Impact Report (FEIR) was certified for the 2011 General Plan, and includes EIR Addenda prepared and considered by City Council as part of adoption of the final 2011 General Plan (12-1-11), Climate Action Plan (9-18-12), and Historic Resources Element (10-2-12).

THE CITY COUNCIL OF THE CITY OF SANTA BARBARA DOES ORDAIN AS FOLLOWS:

**SECTION 1.** The City Council of the City of Santa Barbara makes the following findings in accordance with the California Environmental Quality Act regarding the adoption of the Emergency Shelter Zoning Ordinance:

1. Public Resources Code Section 21083.3 and CEQA Guidelines Section 15183 provide that projects which are consistent with the development density established by General Plan policies for which a FEIR was certified, and rezoning consistent with the plan, shall not require additional environmental review except under specified instances. The City Environmental Analyst determined that the proposed zoning ordinance amendments to the General Plan emergency shelter policies do not trigger additional environmental review requirements for the following reasons:

- a. There are no additional site-specific or project-specific significant effects which are peculiar to the proposed zoning amendments;
- b. There are no new significant effects not addressed in the prior FEIR; and
- c. There is no new information since the FEIR that would involve more significant impacts than identified in the FEIR.

Environmental review for the proposed zoning ordinance amendments is addressed by the General Plan FEIR and Addenda, and no further environmental review is required.

2. The policies and standards for the development of emergency shelters with minimal supportive services have been previously analyzed in the FEIR and Addenda for the General Plan. Specifically, the environmental impacts associated with implementing the General Plan policies related to homeless shelters and services were included in the General Plan FEIR and Addendum and the

potential emergency shelter development under the implementing ordinance is within in the growth assumptions analyzed.

3. The City Planner is the custodian of the record of proceedings for the General Plan Update FEIR, the Addenda, and the documents and other materials which constitute the record of proceedings for these City actions are located at the City of Santa Barbara Community Development Department, Planning Division, 630 Garden Street, Santa Barbara, California. Copies of these documents are available for public review during normal business hours upon request at the office of the City of Santa Barbara Community Development Department, Planning Division.

**SECTION 2.** Chapter 28.04 of Title 28 of the Santa Barbara Municipal Code is amended by adding Section 28.04.273 to read as follows:

**28.04.273 Emergency Shelter.**

Housing for homeless persons with minimal supportive services that is limited to a length of occupancy of not more than six months. Minimal supportive services shall mean administrative offices, intake and waiting areas, kitchen and dining facilities, and laundry facilities as long as the facilities are directly related to the operation of the emergency shelter or for the exclusive use of the residents of the emergency shelter. Homeless shelters providing more than minimal supportive services or supportive services to persons other than the residents of the shelter shall require a conditional use permit pursuant to Section 28.94.030.W of this Title.

**SECTION 3.** Section 28.69.030 of Title 28 of the Santa Barbara Municipal Code is amended to read as follows:

**28.69.030 Uses Permitted.**

A. Any use permitted in the C-2 Zone and subject to the use restrictions and limitations contained in that zone, except that any such use specifically mentioned hereafter shall be subject to the restrictions of the C-M Zone.

B. Any of the following uses, provided that such operations, manufacturing, processing or treatment of products are not obnoxious or offensive by reason of emission of odor, dust, gas, fumes, smoke, liquids, wastes, noise, vibrations, disturbances or other similar causes which may impose hazard to life or property:

1. Automobile body shop.
2. Automobile paint shop.
3. Bakery goods manufacturing.
4. Boat building and repairing and machine shop.
5. Building contractor and material storage.
6. Cabinet shop.
7. Canvas and canvas products manufacturing.
8. Car wash.
9. Cement products manufacturing.
10. Cleaning and dyeing.
11. Clothing products manufacturing.
12. Draying and truck yard or terminal.
13. Electronics products manufacturing.

14. Emergency Shelters in compliance with Chapter 28.79.
  15. Equipment and trailer rental and storage.
  16. Food products manufacturing.
  17. House moving.
  18. Laundry.
  19. Lumber yard.
  20. Machine shop.
  21. Plating works.
  22. Produce warehouse.
  23. Research and development establishment and related administrative operations.
  24. Rug cleaning.
  25. Sheet metal shop.
  26. Sign manufacturing.
  27. Storage warehouse.
  28. Tire retreading.
  29. Veterinary hospital.
  30. Other businesses and occupations that are substantially similar to the uses enumerated above, as determined and documented by the Community Development Director in a manner similar to the substantial conformance determination process provided in the adopted Planning Commission Guidelines.
- C. Accessory buildings and accessory uses.

**SECTION 4.** Title 28 of the Santa Barbara Municipal Code is amended by adding Chapter 28.79 to read as follows:

**28.79.010 Use Permitted.**

An emergency shelter, as defined in SBMC Section 28.04.273, is a permitted use in the C-M Zone subject to the development and management standards specified in Section 28.79.020. Notwithstanding any other provision within this Title 28, without the approval of a conditional use permit pursuant to Chapter 28.94, an emergency shelter is not a permitted use in any other zone of the City.

**28.79.020 Development and Management Standards.**

In addition to all other development standards generally applicable within the zone in which the emergency shelter is located, an emergency shelter shall comply with the following development and management standards:

- A. Capacity. An emergency shelter located within the C-M Zone may provide a maximum of 100 beds and shall serve no more than 100 homeless persons per night.
- B. Length of Stay. A resident of an emergency shelter shall not reside in the emergency shelter for more than 180 consecutive nights.
- C. Intake/Waiting Area. An emergency shelter shall provide at least 10 square feet of interior intake and waiting space per bed. Intake and waiting areas shall be located within the building.
- D. Outdoor Area/Activity. Outdoor gathering areas shall be screened from the public right of way and adjacent properties. An emergency shelter shall not allow prospective residents to queue on the public right of way or parking areas.
- E. Parking. An emergency shelter shall provide the following parking:
  1. One parking space for every 8 beds; and

2. One covered and secure bicycle parking space for every 4 beds.

3. Exceptions. An emergency shelter may propose fewer parking spaces if the emergency shelter can demonstrate by a parking study that the proposed parking will satisfy the anticipated parking demand for the project to the satisfaction of the Public Works Transportation Planning Division. In any case, the required parking for an emergency shelter shall not be more than that which is required for similar residential or commercial uses within the zone.

F. Lighting. Subject to compliance with the Lighting Ordinance (SBMC Chapter 22.75), adequate external lighting shall be provided on-site in order to maintain a safe and secure environment.

G. Concentration of Uses. No emergency shelter or homeless shelter shall be permitted within 300 feet of another emergency shelter or homeless shelter. The distance between shelters shall be measured in a straight line without regard to intervening structures or objects from the nearest point on the property line of one shelter to the nearest point on the property line of the other.

H. Onsite Management. On-site management shall be present at all times that the shelter is in operation. A Management Plan for the operation of the emergency shelter must be submitted with the master application and shall be subject to approval by the Community Development Department Director. As appropriate, the Management Plan shall address:

1. Hours of operation
2. On-site management and security procedures
3. Neighborhood relations and communication
4. Cooking and dining facilities (for residents only)
5. Shower and laundry facilities (for residents only)
6. Smoking areas and policies
7. Outdoor gathering areas and policies

I. Ability to Pay. No individual or household may be denied emergency shelter due to an inability to pay.

**SECTION 5.** Section 28.94.030 of Chapter 28.94 of the Santa Barbara Municipal Code is amended to read as follows:

**28.94.030 Uses Permitted in Specific Zones.**

The following uses may be permitted in the zones herein indicated upon the granting of a Conditional Use Permit, except that where another section of this Title specifically allows such use in a zone in conflict with this section, the provision of such other section shall apply and a Conditional Use Permit shall not be required.

A. Church in the A-1, A-2, E-1, E-2, E-3, R-1, R-2, R-3, R-4, C-1, C-P, C-L, C-O, R-O, C-X, H-C, HRC-1, HRC-2, OM-1 and OC zones.

B. Convent and monastery in the A-1, A-2, E-1, E-2, E-3, R-1, R-2, C-X, H-C, HRC-1, HRC-2, OC, M-1, and OM-1 zones.

C. Educational institution in the A-1, A-2, E-1, E-2, E-3, R-1, R-2, R-3, R-4, C-1, C-P, C-L, C-O, R-O, C-X, H C, HRC-1, HRC-2, OC, M-1, and OM-1 zones.

D. Golf course or driving range (but excluding miniature golf) in any zone.

E. Outdoor tennis club and lawn bowling club in the A, E and R Zones. Normal clubhouse facilities such as pro shop, coffee shop, administrative offices, lounge, etc. may be allowed in connection with a private club only, provided that such uses shall be clearly shown to be incidental and accessory to the outdoor recreational use of the premises, and that the clubhouse facilities shall be available only to the club members and their guests.

It is hereby declared that in addition to being special uses as set forth in Sections 28.94.001 and 28.94.005, the uses permitted under this subsection are of such a nature that it is impractical to

establish in advance of development the minimum requirements for parking, site area, setbacks, hours or manner of operation, lighting, landscaping, or other standards usually applied to classes or types of use, and that distinct and different performance and development standards must be applied to each individual facility proposed to be established under these provisions.

This declaration is based on the fact that the type of club permitted by these provisions will usually be within the City area, unique in terms of the facilities provided, activities conducted, method and intensity of operation, relationship to topography and impact on surrounding urban development and potential, and that meaningful minimum standards can only be established in relation to the particular features of each individual development.

In lieu of prescribing herein minimum performance and development standards, the Planning Commission shall, as a part of any Conditional Use Permit issued to permit the establishment of outdoor tennis or lawn bowling clubs under this subsection, make the following findings and impose conditions necessary to secure and perpetuate the bases for such findings:

1. That the total area of the site and the setbacks of all facilities from property and street lines are of sufficient magnitude in view of the character of the land and of the proposed development that significant detrimental impact on surrounding properties is avoided.

2. That the prescribed hours and days of operation of the various facilities of the club are such that the character of the area is not altered or disturbed.

3. That the design and operation of outdoor lighting equipment will not be a nuisance to the use of property in the area.

4. That adequate access and off-street parking is provided in a manner and amount so that the demands of the development for such facilities are adequately met without altering the character of the public streets in the area at any time.

5. That the appearance of the developed site in terms of the arrangement, height, scale and architectural style of the buildings, location of parking areas, landscaping and other features is compatible with the character of the area.

F. Planned unit development in A, E and R-1 Zones in accordance with the provisions of Chapter 28.36 of this Title.

G. Planned residence development in the A, E and R-1 Zones, subject to provisions of Chapter 28.33 of this Title.

H. Child care centers in the A, E, R-1, R-2, R-3, R-4, R-O, C-O and C-X zones, subject to the following conditions, standards and limitations:

1. Location of play areas. Outdoor play areas shall be located in a manner that is compatible with the character of the surrounding area, that minimizes significant detrimental noise impacts to adjacent properties, and that complies with the minimum standards of State Law.

2. Passenger loading. Facilities shall be provided for loading and unloading passengers, and shall be subject to the review and approval of the Planning Commission taking into consideration the recommendation of the Transportation Engineer.

I. Driveways and parking areas for nonresidential uses in residential zones.

J. Boarding house in the R-2, R-3 and R-4 Zones.

K. Club and lodge in the R-3, R-4 and R-O Zones.

L. Garden apartments in the R-2 Zone, subject to the provisions of Chapter 28.30 of this Title.

M. Hospitals, skilled nursing facilities and other similar buildings and facilities for the treatment of human ailments where facilities are provided for the keeping of patients overnight or longer, in the R-4, C-O, C-P, C-1, C-2 and C-M Zones.

N. Restaurant in the R-4 Zone, provided there is a minimum of one hundred (100) established hotel-motel guest rooms within five hundred feet (500') from the boundary of the proposed restaurant site. The one hundred (100) established hotel-motel guest rooms within five hundred feet (500') may be used to support any number of restaurants within the affected area.

O. Establishment or enterprises which involve large assemblages of people on more than four occasions per year, including, but not limited to, any open air theater, Certified Farmers Market, street market, trade fair, trade exchange, recreational or sport center, in the C Zones.

P. Automobile wrecking in the C-M and M-1 Zones.

Q. Car wash, auto polishing, auto steam cleaning establishment in the C-1, C-P and C-2 Zones, provided that such installation shall be subject to the noise restrictions established in Chapter 28.60 of this Title.

R. State-licensed residential care facilities for the elderly, community care facilities and hospices serving more than 12 individuals in the A, E, R, and C Zones.

1. STANDARDS.

a. If a new residential care facility for the elderly, community care facility or hospice which is subject to a Conditional Use Permit includes a staffed congregate kitchen and dining facility providing regular meals to residents, living units may include modular cooking units without being counted as residential units.

b. If an existing residential care facility for the elderly, community care facility or hospice as of the effective date of this Ordinance, which is subject to a Conditional Use Permit includes a staffed congregate kitchen and dining facility providing regular meals to residents, living units may be converted to include modular cooking units without being counted as residential units under the provisions of a new Conditional Use Permit.

c. If a new or existing residential care facility for the elderly, community care facility or hospice as of the effective date of this Ordinance, which is subject to a Conditional Use Permit does not include a congregate dining facility, but does include kitchens in its living units, living units shall be counted as residential units.

d. Recreational facilities and skilled nursing facilities intended primarily for the residents may be allowed in connection with residential care facilities for the elderly, community care facilities or hospices provided that such uses are incidental and accessory thereto. The use of the facilities by persons other than residents and staff may be limited.

2. FINDINGS:

a. For new State licensed residential care facilities for the elderly, community care facility or hospice, in addition to the findings required under Section 28.94.020, the Planning Commission or City Council on appeal must find upon a showing of adequate information that:

(1) The facility will generate a demand for resources such as water, traffic, and other public services equivalent to no more than that which would be demanded by development of the property in accordance with the underlying zone, and such resources are available in amounts adequate to service the proposed facility.

(2) The intensity of use in terms of the number of people, hours of operation, hours of major activities, and other operational aspects of the proposed facility is compatible with any neighboring residential use.

(3) The proposed facility shall be able to be converted to a density which conforms to the residential unit density of the underlying zone. Sufficient land area has been shown to be available to meet the parking demand of a future use.

b. For existing State-licensed residential care facilities for the elderly, community care facility or hospice as of the effective date of this Ordinance requesting an alteration or modification, in addition to the findings required under Section 28.94.020, the Planning Commission or City Council on appeal must find upon a showing of adequate information that:

(1) The proposal has been reviewed and approved by the City Fire Marshall and the City Building Official.

(2) The facility will generate a demand for resources such as water, traffic and parking capacity, and other public services equivalent to no more than that which would be demanded by development of the property in accordance with the underlying zone, or if existing resource use

exceeds the underlying zone, then resource use shall be equivalent to no more than that of the existing use.

(3) The intensity of use in terms of the number of people, hours of operation, hours of major activities and other operational aspects of the proposed facility is compatible with any neighboring residential use.

S. Facilities and equipment, not to include offices, used by public utilities or quasi-public utilities, e.g., cable television, to provide services to the general public in any zone, except for Radio and Television Antennas, Cellular Telephone Antennas and Emergency Service Antennas and any facilities or equipment expressly permitted in the zone or authorized pursuant to Chapter 28.93 of this Code.

T. Medical equipment and supply stores of more than 3,000 square feet of net floor area in the C-O Zone, subject to the following special provisions:

The Planning Commission shall find that the use is supportive and directly related to the providing of medical and related services. The Commission may permit a portion of the space to be used for non-medically related sales and/or a percentage of dollar volume of business for non-medically related sales, provided that said amount of non-medically related use is set forth in the Conditional Use Permit.

U. Banks of more than 1,000 square feet of net floor area in the C-O Zone, subject to the following:

The intent is to allow branch banks as a convenience to the medical community and neighborhood, so that there will be less traffic into the commercial areas for deposits, and as a cash source for patients in the area. It is not the intent to establish a banking community in the area. As a result, the limitations set forth below shall apply.

Prior to issuance, the Planning Commission shall find the following:

1. No similar facility is located on adjacent property or on a parcel within three hundred (300) feet of the subject property.
2. There shall not be more than one thousand (1,000) square feet of space accessible to customers for services.
3. There shall be no drive-up window, but a walk-up window may be permitted.
4. The signing of the operation is in a manner as to identify but not advertise, and to blend in with the neighborhood.
5. Services are limited to deposits, check cashing, cashier and travelers checks, acceptance of loan applications, and night deposits. The following services are excluded: loan applications processing and safety deposit boxes.
6. The permitted number of employees is consistent with the above.

V. Automobile service station, automobile service station/mini-market or conversion to an automobile service station/mini-market shall be subject to the following conditions, standards and limitations:

1. Conditions. Specific conditions may be imposed to carry out the purposes of this Code.
2. Lot Area. The minimum area of the parcel or lot shall not be less than eight thousand (8,000) square feet.
3. Street Frontage. Each lot shall have a minimum frontage of not less than one hundred (100) feet on one abutting street.
4. Architecture. The architecture of the service station structures and landscaping shall be reviewed and approved by the Architectural Board of Review, or the Historic Landmarks Commission if the property is located within El Pueblo Viejo Landmark District or another landmark district or if the structure is a designated City Landmark. The architectural theme shall be integrated into the design of all improvements of the site including canopies and fencing.
5. Driveways.

a. New Service Stations. For service stations constructed after the effective date of this Subsection, driveway entrances to the service station shall not be within twenty (20) feet of the curb return (beginning of curve) on corner lots.

b. Existing Service Stations. For driveway entrances of service stations that have been constructed prior to the effective date of this Subsection, relocation of driveway entrances may be required to minimize interference with the movement and safety of vehicular and pedestrian traffic.

6. Internal Circulation. Where access from an internal circulation system of a shopping center or public parking area is available, direct street access to a service station may be prohibited or restricted.

7. Parking. Parking shall conform to the minimum parking requirements as outlined in Section 28.90.100 or a minimum of five (5) parking spaces shall be provided or one (1) parking space for each two hundred fifty (250) square feet of gross floor area used for mini-market use and one (1) space for each employee shall be provided; whichever is greater.

8. Lighting. Any perimeter flood lighting shall be hooded or shielded so that no direct beams fall upon adjacent residential property. Indirect soft lights and low garden lights shall be used wherever possible, and shall be required as necessary to assure compatibility with adjacent and surrounding properties.

9. Landscaping. All landscaped areas shall be as follows:

a. A planter shall be provided along all street-side property lines except for driveway openings.

b. On corner lots, a minimum of one hundred fifty (150) square feet of planter area shall be provided on the property adjacent to the corner intersection.

c. At least ten percent (10%) of the area not covered by buildings on the parcel shall be landscaped.

10. Restrooms. The entrance to all restrooms shall be screened from abutting properties by a decorative screen.

11. Fencing. A decorative fence six (6) feet in height from finished grade shall be provided on all property lines that do not abut a street, alley or parking area, with the exception that a fence may not be required for a service station that is an integral part of a commercial, industrial or office center or where combined landscaping will be achieved with such adjacent properties.

12. Operations and Storage.

a. Repair of vehicles is only permitted within an enclosed building.

b. All servicing of vehicles other than minor servicing shall be conducted within an enclosed building.

c. All materials, products and merchandise shall be stored and displayed only within an enclosed building.

d. No used or discarded automotive parts or equipment or visible junk or wrecked vehicles shall be located or stored outside the service station building.

e. Trash shall be stored in areas screened from public view by a fence with a minimum height of six (6) feet. Trash shall not be stored or piled above the height of the fence.

13. Fire Department Approval. Prior to the issuance of any building permit for a service station or any portion thereof, the Fire Department shall review the plans and approve said plans if they comply with applicable Fire Department ordinances and regulations.

W. Public or quasi-public facility, including homeless shelters providing services and programs beyond the definition of minimal supportive services specified in Section 28.04.273 (subject to a separation of at least 300 feet from another emergency shelter or homeless shelter), in any zone, except those expressly permitted in the zone or authorized pursuant to Chapter 28.93 of this Code, and Radio and Television Antennas, Cellular Telephone Antennas and Emergency Service Antennas.

X. Any use other than those permitted by Section 28.73.030.A of the OM-1 Zone and permitted in the M-1 Zone and subject to those findings required in Section 28.73.030.B and Section 28.94.020.

Y. General office uses in the HRC-2 Zone as permitted by Subsection 28.22.030.2.c, and subject to the findings required in Subsection 28.22.030.2.c and Section 28.94.020.

Z. Secondary Dwelling Units in any A, E or R-1 Zone, subject to the following provisions:

1. The minimum lot size for any parcel containing a Secondary Dwelling Unit shall be seven thousand (7,000) square feet.

2. There shall be no more than one (1) existing single-family dwelling, hereinafter referred to as the primary dwelling, on the parcel.

3. The Secondary Dwelling Unit shall be attached to the primary dwelling by a common wall, floor or ceiling and not simply by an attached breeze-way or porch. Said unit shall involve no more than a ten percent (10%) increase in the square footage of the primary dwelling nor shall it constitute more than forty percent (40%) of the combined floor area of the primary dwelling and Secondary Dwelling Unit, exclusive of the garage or carport.

4. The maximum floor area of the Secondary Dwelling Unit shall not exceed six hundred (600) square feet.

5. Setbacks and height limitations for the Secondary Dwelling Unit shall be the same as for the primary dwelling.

6. One (1) off-street parking space, covered or uncovered, shall be required for a Secondary Dwelling Unit. In addition, if the primary dwelling does not provide parking as required by Subsection 28.90.100.G.1 of this Title, such parking shall be provided. The garage or carport for the primary dwelling shall not be converted to provide a Secondary Dwelling Unit.

7. There shall be no more than four (4) separate rooms in a Secondary Dwelling Unit, one of which shall be a kitchen and one a bathroom. The total number of rooms on the parcel shall not be increased by more than two (2), including the bathroom and kitchen for the Secondary Dwelling Unit. The Secondary Dwelling Unit shall also provide a separate entrance.

8. Both the primary dwelling and the Secondary Dwelling Unit shall comply with all requirements of the housing code in effect on the date of issuance of the building permit for the Secondary Dwelling Unit. Any alteration or addition shall comply with all requirements of the California Building Code as adopted and amended by the City.

9. A separate water meter shall be provided for the Secondary Dwelling Unit. The primary dwelling shall be retrofitted with water-conserving devices to the same extent as if the dwelling were being built under the California Building Code as adopted and amended by the City.

10. Before obtaining a building permit for a Secondary Dwelling Unit, the property owner shall file with the County Recorder, upon approval by the City Attorney as to form and content, a covenant containing a reference to the deed under which the property was acquired by the present owner and stating that:

a. The Secondary Dwelling Unit shall not be sold separately from the primary dwelling.

b. The Secondary Dwelling Unit is restricted to the approved size.

c. The conditional use permit for the Secondary Dwelling Unit shall be in effect only so long as either the primary dwelling or the Secondary Dwelling Unit is occupied by the owner of the lot on which the Secondary Dwelling Unit is located, except for bona fide temporary absences. The conditional use permit shall remain valid if disability or infirmity require the institutionalization of the owner.

d. The Secondary Dwelling Unit shall be rented at a rate that is affordable to low and moderate income families or to immediate family members as required under Subsection 28.94.030.Z.12 of this Title.

e. The conditional use permit, and any conditions imposed by said permit, shall lapse upon removal of the Secondary Dwelling Unit.

f. There shall be no more than two (2) inhabitants in any Secondary Dwelling Unit.

g. The above declarations are binding upon any successors in ownership of the property; any lack of compliance shall revoke the conditional use permit.

11. Secondary Dwelling Units shall be prohibited in High Fire Hazard Areas (as defined in the Fire Master Plan.)

12. The Secondary Dwelling Unit, or the primary dwelling if the owner chooses to live in the Secondary Dwelling Unit, shall be leased or rented to a person or persons falling within one or more of the following categories:

a. A household whose head is a member of the owner's immediate family. For purposes of this Section, "immediate family" shall be defined as parents, grandparents, children, grandchildren, sisters, brothers, and equivalent in-laws.

b. Low income households (incomes less than 80 percent of the median income for the City), as determined by the United States Department of Housing and Urban Development (HUD). The rent level will be no more than the Fair Market Rent levels for the City as determined and adjusted from time to time by HUD, and the owner shall give priority for occupancy to households referred by the Santa Barbara Housing Authority. If the unit is rented or leased to households not referred by the Housing Authority, the income level of the renter selected must be certified by the Housing Authority as to eligibility and this certification must be submitted to the Community Development Director. The Housing Authority may assess a fee for certification of renters other than those referred by the Housing Authority. The rent level for such low-income renters shall not exceed one twelfth (1/12) of thirty percent (30%) of the certified income of the renter. In addition, the owner must submit annually to the Housing Authority a copy of the lease or rental agreement in effect that identifies the rent level and the name and income level of the lessee/renter.

c. Moderate income households (incomes between 81 and 120 percent of the median income of the City), if the owner chooses not to rent to a family member and a sworn declaration supported by written documentation, such as loan documents, setting forth the financial reasons why the unit will not be rented to a low-income household is submitted to the City. Generally, the only acceptable financial reason would be that higher rent is required in order to meet the carrying costs of new construction. The rent levels will be not more than one-twelfth (1/12) of thirty percent (30%) of the median income for a family of four in the City adjusted for household/unit size according to the following factors:

Unit Size	Factor
Studio	.70
One-Bedroom	.80
Two-Bedroom	.95
Three-Bedroom	1.065

Prior to the rental or leasing of the unit, the income level of the household shall be certified by the Housing Authority. The Housing Authority may assess a fee for certification of renters other than those referred by the Housing Authority. In addition, the owner must submit annually to the Housing Authority a copy of the lease or rental agreement in effect that identifies the rent level and name and income of the lessee/renter.

13. Approved Secondary Dwelling Units shall be subtracted from the Density Reserve established by Policy 5-1.0 of the City's Housing Element, as adopted by the City of Santa Barbara on June 8, 1982. When there are no units available in the Density Reserve, no conditional use permits shall be granted for Secondary Dwelling Units.

14. Secondary Dwelling Units shall be prohibited if there is an accessory building containing additional dwelling space, an additional dwelling unit approved under Section 28.93.030.E, caretaker's residence or similar use on the parcel. Furthermore, no accessory building intended to provide additional dwelling space, additional dwelling unit under Section 28.93.030.E, caretaker's residence or similar use shall be constructed on a lot where there is an approved Secondary Dwelling Unit.

15. The Architectural Board of Review, or the Historic Landmarks Commission if the property is located within El Pueblo Viejo Landmark District or another landmark district or if the structure is a designated City Landmark, shall review all Secondary Dwelling Units which require exterior change to the primary dwelling to assure that there is minimal evidence of occupancy of the parcel by more than one (1) family and that any changes or additions to the exterior of the primary dwelling necessary to establish the Secondary Dwelling Unit blend architecturally with the primary dwelling.

16. In order to encourage the development of housing opportunities for disabled and handicapped individuals, the Planning Commission may allow reasonable deviation from the stated physical requirements where necessary to install features that facilitate access and mobility for disabled persons. Otherwise, no modification of the requirements for a Secondary Dwelling Unit shall be allowed unless specifically stated in this Section.

17. In addition to the findings required under Section 28.94.020, the Planning Commission, or City Council on appeal, must find that:

a. The Secondary Dwelling Unit does not overload the capacity of the neighborhood to absorb it or cause a concentration of such units sufficient to change the character of the single-family neighborhood in which it is located.

b. The Secondary Dwelling Unit does not detract from the privacy of the surrounding residents.

18. Modifications.

a. Parking. No modification of the required number of parking spaces shall be allowed. Modification of other parking-related requirements may be allowed subject to the provisions of Section 28.92.110 of this Code.

b. Setbacks and height limitations. Modification of these requirements may be allowed subject to the provisions of Section 28.92.110 of this Code.

AA. Any interim use deemed appropriate by the Planning Commission in those areas identified by resolution of the City Council as impacted by governmental action. Such interim uses shall be limited in duration as specified by the Planning Commission, provided all such uses are discontinued within two (2) years of the completion of the governmental action. Any authorization granted by the conditional use permit shall terminate at that time.

The conditional use permit granted pursuant to this Subsection shall not be effective until the property owner has duly executed and recorded an instrument binding itself, its successors in interest and any person holding thereunder, which contains (i) notice of the conditional use permit, (ii) notice of any conditions established thereunder, (iii) an agreement to comply with the terms and conditions of the conditional use permit, (iv) a waiver of any claim that a temporary use or any improvements on real property creates any vested right to continue a non-conforming use after completion of the governmental action, and (v) any other conditions as deemed necessary to comply with the purposes and intent of this Subsection. This instrument shall be subject to the review and approval of the City Attorney and the Community Development Director.

BB. Bed and Breakfast Inns in Designated Historic Structures.

1. R-O Zone

a. Bed and Breakfast Inns in Structures of Merit or Landmarks in the R-O zone, in accordance with the provisions of Chapter 22.22 of this Title.

b. Bed and Breakfast Inns in a structure located on a lot in the R-O zone, on which a Structure of Merit or Landmark used as a Bed and Breakfast Inn is also located.

2. R-3 Zone

a. Bed and Breakfast Inns in Structures of Merit or Landmarks in the R-3 zone, in accordance with the provisions of Chapter 22.22 of this Title, subject to the following conditions.

(1) The owner or manager of the Bed and Breakfast Inn shall maintain his or her primary residence on the property that contains the Bed and Breakfast Inn.

(2) No meals shall be served to persons other than guests and residents of the Bed and Breakfast Inn.

(3) No conference or meeting rooms/facilities shall be provided.

(4) No outdoor swimming pool shall be provided; however, outdoor spas, hot tubs or similar facilities may be provided.

(5) Other conditions imposed by the Planning Commission in order to ensure compatibility with the surrounding neighborhood.

b. Bed and Breakfast Inns in a structure located on a lot in the R-3 zone, on which a Structure of Merit or Landmark used as a Bed and Breakfast Inn is also located, subject to the conditions listed in §28.94.030.BB.2.a. above.

3. Review by the Historic Landmarks Commission. Plans for new structures or alterations to existing structures under 1 and 2 above shall be submitted to the Historic Landmarks Commission for review and action in accordance with the provisions of Chapter 22.22 of this Title.

CC. Offsite Hazardous Waste Management Facilities in the C-M, M-1, and OM-1 zones, subject to the provisions in Chapter 28.75, HWMF Overlay Zone.

DD. Television, Radio and Cellular Telephone Antennas in all zones, subject to the following provisions:

1. Exemptions. The following are exempt from the requirement of a Conditional Use Permit, and shall be considered a permitted use in all zones:

a. Repairs and maintenance of existing facilities, whether emergency or routine, or replacement of transmitters, antennas, or other components of existing permitted facilities, provided there is little or no change in the visual appearance or any increase in radio frequency emission levels.

b. Satellite Dish Antennas designed or used for the reception of television or other electronic communications signal broadcast or relayed from an earth satellite.

c. One or more cellular telephone antennas or paging antennas, provided that the Community Development Director finds as follows:

(1) Height: The height of the antenna and supporting structure does not exceed Municipal Code height limits set forth in Sec. 28.87.260, except where said antenna is being installed on an existing structure, in which event the height limit is measured from the highest point of the building and cannot exceed 15 feet above the building height.

(2) Separation: There is at least 100 feet between the base of the antenna support structure and the nearest dwelling unit.

(3) Access Control: The applicant establishes that the general public will be excluded from an area at least 50 feet in all directions from the antenna if antenna is not at least 10 feet off the ground. If the antenna is at least 10 feet above grade, this distance may be reduced to 30 feet.

(4) No Resource Impacts: The project will have no significant impact on any biological or archeological resources and will not generate additional traffic. The applicant may be required to provide information to the Community Development Director regarding these matters.

(5) No Visual Impacts: The project has been reviewed by the Architectural Board of Review, or the Historic Landmarks Commission if the property is located in the El Pueblo Viejo Landmark District or another landmark district or if the property contains a designated City Landmark. The Board and Commission may take action regarding the location of the antenna(s) on the site, color and size of the proposed antennas so as to minimize any adverse visual impacts.

d. A microcell, provided it has been reviewed by the Architectural Board of Review, or the Historic Landmarks Commission if the property is located in the El Pueblo Viejo Landmark District or another landmark district or if the property or a structure thereon is a designated City Landmark. The Board and Commission may take action regarding the location of the antenna(s) on the site, color and size of the proposed antennas so as to minimize any adverse visual impacts.

2. Conditional Use Permit by Planning Commission. A Radio or Television Antenna shall be permitted only upon issuance of a conditional use permit by the Planning Commission, and only if each of the following findings has been made:

a. Shared Use of Support Structure. The applicant had made a good faith effort to demonstrate that no existing or planned support structure, including an antenna tower, is available to accommodate the proposed antenna.

b. Site Size. The site is of a size and shape sufficient to provide an adequate setback from the base of the antenna support structure to any property line abutting a residential use.

c. Visual Impact. The project has been reviewed by the Architectural Board of Review, or the Historic Landmarks Commission if the property is located in the El Pueblo Viejo Landmark District or another landmark district or if the property contains a designated City Landmark. The Board and Commission may take action on the location of the antenna(s) on the site, color and size so as to minimize any adverse visual impacts by requiring that the antenna and its supporting structure be designed and placed so as to be as visually unobtrusive as feasible, taking into consideration technical engineering and other pertinent factors. The Planning Commission may grant a waiver from height limitations if it finds that no feasible alternative location or design would not require such a waiver.

d. Non-ionizing Electromagnetic Radiation (NIER) Emissions. Any new transmitters and/or antennas, when combined with existing sources of NIER emissions on or adjacent to the site and when operating as designed and licensed, shall not expose the general public to ambient radiation emissions which exceed American National Standards Institute (ANSI) C95.1-1992 standard (if the Federal Communications Commission (FCC) rulemaking committee adopts a revised standard, said standard shall apply).

EE. Outdoor performance areas involving structures such as bandshells or amphitheaters in the PR Zone.



**CITY OF SANTA BARBARA**  
**COUNCIL AGENDA REPORT**

**AGENDA DATE:** July 29, 2014

**TO:** Mayor and Councilmembers

**FROM:** Engineering Division, Public Works Department

**SUBJECT:** Capital Improvement Projects: Annual Report For Fiscal Year 2014

**RECOMMENDATION:**

That Council receive the City's Capital Improvement Projects Fourth Quarter and Annual Report for Fiscal Year 2014.

**EXECUTIVE SUMMARY:**

A presentation will be made to Council summarizing the progress made on City capital improvement projects for the past fiscal year, which includes \$53 million in completed construction projects. The value of projects with construction in progress totals \$26,577,434, and the value of projects in the design phase totals \$100,560,961.

**DISCUSSION:**

The following discussion highlights City Public Works improvement project construction activity during the Fourth Quarter of Fiscal Year 2014.

**CONSTRUCTION HIGHLIGHTS – (COMPLETED)**

Four projects were completed in the Fourth Quarter of Fiscal Year 2014, from April through June 2014. Attached (Attachment 1) is a chart that shows the completed capital projects for this quarter. Attachments 2 and 3 display the completed capital projects by fund for Fiscal Year 2014. The following describes some highlights of completed construction:

- Chapala Street Bridge Replacement (\$3,234,255) – This project demolished and replaced a 105 year old bridge at Chapala and Yanonali Streets that was structurally deficient. Project improvements included new energy efficient street lighting and sidewalks for pedestrians to access the Railroad Depot Park on Yanonali Street.

- Pilot Fats, Oils, and Grease (FOG) Program at El Estero Wastewater Treatment Plant (\$789,922) – This project allows for local disposal of FOG material collected by private contractors from grease traps and interceptors installed at commercial establishments throughout the area. The FOG material is being fed to the El Estero Treatment Plant digesters. This is anticipated to increase the methane gas output from the digesters, which is then converted to electricity. The completed project consisted of the construction of a FOG receiving station, storage tank, pumping system, and the associated piping to deliver the FOG material to the City's wastewater treatment plant.
- Zone 6 (Fiscal Year 2013) Slurry Seal Project (\$1,182,768) – The project consisted of re-sealing various roads to better preserve the pavement, primarily in the downtown area and included work at various parking lots within the City.
- El Camino De La Luz Sewer Main Rehabilitation (\$225,821) – The project consisted of rehabilitating a 60 year old cast iron sewer main underneath the pedestrian bridge between El Camino De La Luz and La Mesa Park, construction of two new manholes, and lining rehabilitation of four manholes. The facilities will now cost less to maintain with a higher level of reliability.

#### CONSTRUCTION HIGHLIGHTS – (IN PROGRESS)

In addition, 17 projects are currently under construction, with an approximate construction contract value of \$26,577,434 (Attachment 4). The following are highlights of construction projects in progress:

##### Public Works Bridges:

- Punta Gorda Bridge at Sycamore Creek (\$2,212,565) – Construction of the new Punta Gorda Street Bridge is in progress. This project included widening of the Lower Sycamore Creek channel to reduce flooding in the neighborhood, creek bank protection, and planting.

##### Public Works Streets:

- Safe Routes to School (\$223,393) – This project will provide safer crosswalks for the school zone near Cleveland Elementary School. The construction is scheduled to start in mid-September 2014.

##### Public Works Wastewater:

- Closed Circuit Television Project Fiscal Year 2014 (\$205,597) – Approximately 10 miles of sanitary sewer mains will be inspected by trained and certified wastewater technicians using closed circuit televising equipment. Inspecting the City's wastewater system will allow staff to identify and remedy major defects and plan and design future wastewater projects.
- Wastewater Main Rehabilitation Fiscal Year 2014 (\$1,199,430) – This project is part of the City's annual program to maintain approximately 257 miles of sanitary

sewer infrastructure, utilize video to inspect and if necessary, efficiently clean and rehabilitate sewer pipes at various locations throughout the City. This project is anticipated to be complete by August 2014.

- Tertiary Filtration Replacement Project (\$9,369,000) – The Tertiary Filtration Plant has been in operation for over 20 years, and was in need of significant rehabilitation to allow for the more effective production of recycled water. Construction of the new facility began on July 16, 2014. Completion of the construction is scheduled for summer 2015.

#### Public Works Water:

- Water Main Replacement Fiscal Year 2013 (\$3,319,213) – Approximately 3.3 miles of new water main was installed at various locations. Water mains are replaced based on aging, break history, pipe material, water demands and fire flow. The water distribution system is now anticipated to have fewer waterline breaks and greater flow available to fire hydrants. The construction was completed in June 2014. The notice of completion is scheduled for August 2014.
- Corporation Yard Well-Wellhead Project (\$471,266) – This project will complete a two part plan that will introduce a new groundwater well into the City's system to increase the City's water supply. The first portion drilled and prepared the actual well to a depth of 600+ feet. This work will install the pump, motor, control systems, and piping that will connect the new well to the nearby Ortega Treatment Plant, and then into the City's water supply. Completion is scheduled for November 2014.

#### PROJECTS IN DEVELOPMENT

In addition to the work in construction, there is a significant amount of work in the design phase. There are currently 50 projects under design, with an estimated total project cost of \$100,560,961 (see Attachment 4).

Work is scheduled to be funded over several years, as generally shown in the City's Six-Year Capital Improvement Program Report. The projects rely on guaranteed or anticipated funding and grants.

The following are design project highlights.

#### Public Works Bridges:

We currently have eight bridge replacement projects in design and a bridge preventative maintenance project worth an estimated \$72 million as part of a City Federal Grant funded Highway Bridge Program. Three of these projects (Cabrillo, Mason, and Cota on Mission Creek) were affected by funding criteria changes by Caltrans last fall; however, are now planned to begin construction in Fiscal Year 2015.

Out to bid:

- Mason Street Bridge at Mission Creek (\$13,786,434) – This structurally deficient bridge will be replaced to meet current structural, roadway design, and neighborhood aesthetic standards, while reducing neighborhood flooding.
- Cabrillo Boulevard Bridge at Mission Creek (\$25,169,630) – The Cabrillo Boulevard Bridge project has been in the planning stage for many years, with a significant amount of public input and planning by City staff and the project team. In June of this year, the City got the construction authorization from Caltrans to advertise for construction bids. A community outreach campaign will be implemented to provide the latest construction information. This bridge will also have structural and aesthetic improvements, along with a wider sidewalk on the north side of the bridge for pedestrian convenience.

Design completed/scheduled to bid:

- Cota Street Bridge at Mission Creek (\$8,598,815) – The bridge was constructed in 1926 and has been deemed structurally deficient. This project is part of the Lower Mission Creek Flood Control Project. The project will also make improvements to the street and sidewalks in the area. Construction is scheduled to begin spring 2015.

Design in progress:

- De La Guerra Bridge at Mission Creek (\$6,235,000) – Replacing this bridge and widening the channel will improve flood water movement with less flooding risk to the neighborhood. In addition, the project will enhance and restore the wildlife habitat along the creek.
- Gutierrez Bridge at Mission Creek (\$6,665,750) – Replacing this almost 100 year old bridge and widening the channel will improve flood water movement with less flooding risk to the neighborhood. The project will provide an opportunity for the new bridge to add neighborhood bike and pedestrian access features.
- Anapamu Street Bridge Replacement (\$5,414,000) – The purpose of the project is to replace the existing structurally deficient bridge. Survey work is currently underway.
- Quinientos Street Bridge Replacement (\$5,622,500) – The purpose of the project is to replace the existing structurally deficient bridge on Quinientos Street and improve the safety of motorists, bicyclists, and pedestrians through this corridor.

Creeks:

- Low Impact Demonstration Storm Water Infiltration Project - (\$1,000,000) – Permeable pavers will be installed in the sidewalks surrounding Alice Keck Park Memorial Gardens and the Plaza de Vera Cruz Alley. Permeable pavers allow

polluted storm water to be treated through infiltration which in turn will recharge the groundwater table.

Downtown Parking:

- Bikestation Module at City Parking Lot 3 (\$90,000) – The project will improve access for secured bicycle parking, 24 hours a day at City Parking Lot 3.

Successor Agency to the Redevelopment Agency of the City of Santa Barbara:

- Lower West Downtown Lighting Improvement Project, Phase 2 (\$1,301,222) – The Lower West Downtown residents have historically expressed concerns regarding a lack of adequate street lighting in their neighborhood. City staff and residents started to address this issue in 2009. This is the last phase of a multi-phase project to increase street and pedestrian level lighting in the neighborhood. The Ortega Pedestrian Improvement and Brinkerhoff Street Lighting Projects were part of the Lower West Downtown Lighting Project.

Public Works Pavement:

- Zone 2 Pavement Preparation and Slurry Seal (\$2,800,000) – This project will maintain pavement on selected streets throughout the City, with a focus on the San Roque/Samarkand/Upper State Street neighborhoods. Construction is anticipated in summer 2015.

Currently, there are three Highway Safety Improvement Program (HSIP) Projects in design that are worth an estimated \$1.5 million as part of the HSIP Federal Grant program. The De La Vina/Arrellaga Intersection Traffic Signal Project is a priority project with construction scheduled for fall 2014. The Crosswalk Enhancement Project is also scheduled for construction this fall, with safety improvements going in at the intersections of State Street at Calle Palo Colorado, State Street at Pedregosa Street, State at Islay Street, Cabrillo Boulevard at Corona del Mar, and Cabrillo Boulevard at Anacapa Street. The Traffic Signal Upgrades Project consists of various types of traffic signal upgrades at approximately 50 intersections throughout the City and construction is scheduled for spring 2015.

Public Works Traffic Engineering:

- 2012 HSIP Crosswalk Enhancements (\$588,730) – The project aims to improve pedestrian safety at five intersections within the City that have been identified as being challenging for pedestrians to cross. The enhancements vary by site, but include curb extensions, median refuge islands, lighting, and rectangular rapid flashing beacons. The construction is scheduled to start in winter 2014.
- 2013 HSIP De La Vina and Arrellaga Traffic Signal (\$167,000) – This intersection was ranked number one for non-signalized broadside crashes in the City's first annual crash report that was completed in spring 2013. As a result, City staff was awarded a HSIP Grant for the construction of this project. As a high priority project, the design phase has been accelerated and construction is anticipated in fall 2014.

Public Works Wastewater:

- Wastewater Lift Station Fiscal Year 2015 (\$1,012,074) – The installation of a second forcemain for the La Colina Lift Station will provide redundancy to the existing forcemain, originally installed when the Lift Station was built, and increase the overall reliability of the sanitary sewer system.

Public Works Water:

- Alameda Park Well Replacement (\$2,313,592) – The City's groundwater is an important drinking source for the community, especially during times of drought when surface water supplies may be restricted. The existing well is no longer viable for water production. Public Works will coordinate this project with the Parks and Recreation Department to replace a corroding well and to drill a new one.

Waterfront:

- Marina One Phases 5–8 (\$1,700,000) – The Marina One Improvements were broken up into eight phases that were to be completed over a nine year period. In 2012, Phases 1–4 were completed. Phases 5–8 of the project will replace the existing concrete docking system that is nearing the end of its useful life.

**SUMMARY:**

Fiscal Year 2014 ended with approximately \$53 million in completed construction, with approximately \$15.4 million coming from grant funding.

Compared with prior years, \$32 million was completed in Fiscal Year 2012, and \$87 million was completed in Fiscal Year 2013. Combining Fiscal Year 2012 and 2013, approximately \$35.8 million was provided by grant funding.

- ATTACHMENT(S):**
1. Completed Capital Improvement Projects for Fiscal Year 2014
  2. Completed Capital Improvement Projects Funding Fiscal Year 2014 - Table
  3. Completed Capital Improvement Projects Funding by Category Fiscal Year 2014 - Chart
  4. Capital Projects with Design and Construction in Progress

**PREPARED BY:** Pat Kelly, Assistant Public Works Director/City Engineer/TB

**SUBMITTED BY:** Rebecca J. Bjork, Public Works Director

**APPROVED BY:** City Administrator's Office

**COMPLETED CAPITAL PROJECTS - FOURTH QUARTER FISCAL YEAR 2014**

<b>Project Name</b>	<b>Design Costs</b>	<b>Construction Contract</b>	<b>Construction Change Order Costs</b>	<b>Construction Management Costs</b>	<b>Total Project Costs</b>
Chapala Street Bridge Replacement	\$1,070,289	\$1,423,948	\$141,151	\$598,867	<b>\$3,234,255</b>
FOG Program at El Estero Wastewater Treatment Plant	\$79,738	\$572,500	\$56,891	\$80,793	<b>\$789,922</b>
Zone 6 (Fiscal Year 2013) Slurry Seal	\$60,500	\$956,357	-\$36,302	\$202,213	<b>\$1,182,768</b>
El Camino De La Luz Sewer Main Rehabilitation	\$30,172	\$117,543	\$30,700	\$47,406	<b>\$225,821</b>
<b>TOTALS</b>	<b>\$1,240,699</b>	<b>\$3,070,348</b>	<b>\$192,440</b>	<b>\$929,279</b>	<b>\$5,432,766</b>

**COMPLETED CAPITAL IMPROVEMENT PROJECTS FUNDING  
FISCAL YEAR 2014**

**FIRST QUARTER**

PROJECT TITLE	FUNDING												TOTAL PROJECT COSTS	
	First Quarter	Airport	Creeks	Downtown Parking	Parks	General Fund	Facilities	Other	Streets	Water	Wastewater	Waterfront		Grants
Corporate Yard Well Replacement										\$ 1,207,283				\$ 1,207,283
Santa Barbara Westerly Launch Ramp Project												\$ 431,245		\$ 431,245
Cater Water Treatment Plant Advanced Treatment Project										\$ 21,637,702				\$ 21,637,702
On-Call Sewer Main Point Repairs Fiscal Year 2013												\$ 141,286		\$ 141,286
Intersection Improvement Project at Anacapa and Carrillo Streets (1)									\$ 296,282				\$ 400,000	\$ 696,282

(1) Highway Safety Improvement Program Grant

**Total First Quarter \$ 24,113,798**

**SECOND QUARTER**

PROJECT TITLE	FUNDING												TOTAL PROJECT COSTS	
	Second Quarter	Airport	Creeks	Downtown Parking	Parks	General Fund	Facilities	Other	Streets	Water	Wastewater	Waterfront		Grants
El Estero Wastewater Treatment Plant Manhole Rehabilitation													\$ 160,465	\$ 160,465
ARRA Road Maintenance (1)													\$ 1,367,567	\$ 1,367,567
Taxiway H,J, C Pavement Rehabilitation (2)	\$ 314,764												\$ 3,069,797	\$ 3,384,561
Conejo Road Sewer Main Extension													\$ 206,941	\$ 206,941
Mission Creek Fish Passage Ph. 2 (3)		\$ 574,406											\$ 3,031,392	\$ 3,605,798

(1) ARRA

(2) FAA Airport Improvement Program

(3) Department of Fish and Game

**Total Second Quarter \$ 8,725,332**

**COMPLETED CAPITAL IMPROVEMENT PROJECTS FUNDING  
FISCAL YEAR 2014**

**THIRD QUARTER**

PROJECT TITLE	FUNDING												TOTAL PROJECT COSTS	
	Third Quarter	Airport	Creeks	Downtown Parking	Parks	General Fund	Facilities	Other	Streets	Water	Wastewater	Waterfront		Grants
Micheltorena St @ California St Storm Drain Replacement									\$ 31,215					\$ 31,215
Bridge Preventive Maintenance (1)									\$ 37,197				\$ 287,104	\$ 324,301
Runway 15R-33L Pavement Rehabilitation (2)	\$ 198,178												\$ 1,923,637	\$ 2,121,815
LID Permeable Paver Parking Lots (3)		\$ 129,016											\$ 1,889,299	\$ 2,018,315
Wastewater Main Rehabilitation FY13											\$ 899,993			\$ 899,993
De La Vina @ Figueroa Intersection Improvement (4)									\$ 85,461				\$ 326,300	\$ 411,761
Ortega Groundwater Treatment Plant Rehabilitation										\$ 8,968,283				\$ 8,968,283
<b>Total Third Quarter</b>														<b>\$ 14,775,683</b>

- (1) Federal Highway Administration  
(2) FAA Airport Improvement Program Grant 46  
(3) Proposition 84 Stormwater  
(4) Federal Highway Safety Improvement Program

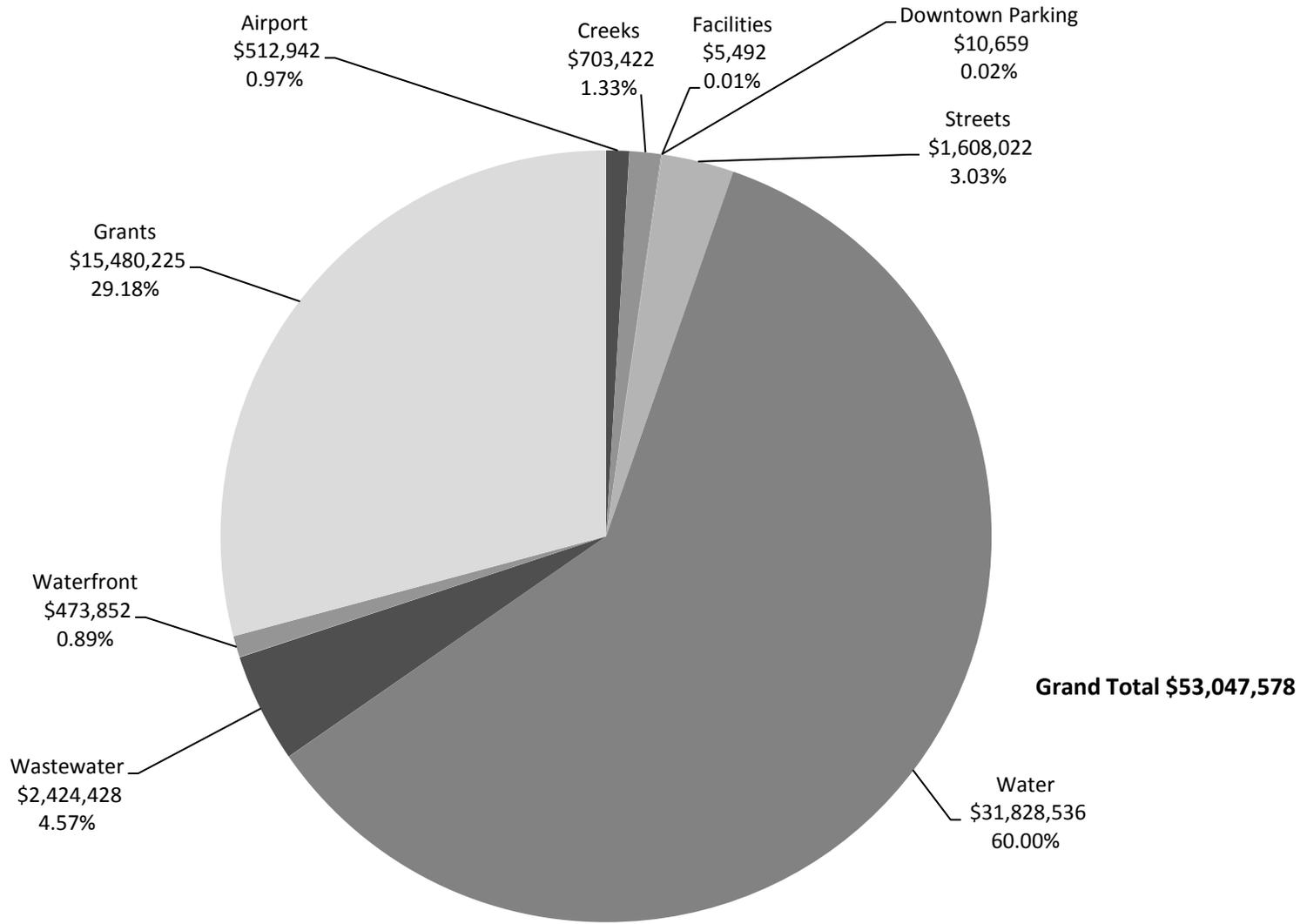
**FOURTH QUARTER**

PROJECT TITLE	FUNDING												TOTAL PROJECT COSTS	
	Fourth Quarter	Airport	Creeks	Downtown Parking	Parks	General Fund	Facilities	Other	Streets	Water	Wastewater	Waterfront		Grants
Chapala Street Bridge Replacement (1)									\$ 370,968				\$ 2,863,286	\$ 3,234,254
FOG Program at El Estero Wastewater Treatment Plant											\$ 789,922			\$ 789,922
Zone 6 (FY 13) Slurry Seal (2)			\$ 10,659			\$ 5,492		\$ 786,899	\$ 15,268		\$ 42,607	\$ 321,843		\$ 1,182,768
El Camino De La Luz Sewer Main Rehabilitation											\$ 225,822			\$ 225,822
<b>Total Fourth Quarter</b>														<b>\$ 5,432,766</b>

- (1) Federal Highway Administration  
(2) Local Surface Transportation Program

	Airport	Creeks	Downtown Parking	Parks	General Fund	Facilities	Other	Streets	Water	Wastewater	Waterfront	Grants	
<b>GRAND TOTAL</b>	<b>\$ 512,942</b>	<b>\$ 703,422</b>	<b>\$ 10,659</b>			<b>\$ 5,492</b>		<b>\$ 1,608,022</b>	<b>\$ 31,828,536</b>	<b>\$ 2,424,429</b>	<b>\$ 473,852</b>	<b>\$ 15,480,225</b>	<b>\$ 53,047,579</b>
%	0.97%	1.33%	0.02%			0.01%		3.03%	60.00%	4.57%	0.89%	29.18%	100.00%

### Completed Capital Projects Funding For Fiscal Year 2014



## CAPITAL PROJECTS WITH DESIGN AND CONSTRUCTION IN PROGRESS

PROJECT CATEGORY	DESIGN IN PROGRESS	
	No. of Projects	Total Value of Projects
Airport	3	\$4,271,035
Parking	2	\$289,395
Creeks	1	\$1,000,000
Facilities	1	\$1,462,347
Successor Agency to the Redevelopment Agency of the City of Santa Barbara	1	\$1,301,222
Public Works: Streets/Bridges	9	\$72,223,534
Public Works:Streets/Transportation	14	\$7,546,696
Public Works: Water/Wastewater	18	\$10,766,732
Waterfront	1	\$1,700,000
<b>TOTAL</b>	<b>50</b>	<b>\$100,560,961</b>

PROJECT CATEGORY	CONSTRUCTION IN PROGRESS	
	No. of Projects	Construction Contract Costs
Successor Agency to the Redevelopment Agency of the City of Santa Barbara	1	\$971,775
Public Works: Streets/Bridges	1	\$2,212,565
Public Works: Streets/Transportation	6	\$5,074,455
Public Works: Water/Wastewater	9	\$18,318,639
<b>TOTAL</b>	<b>17</b>	<b>\$26,577,434</b>



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** July 29, 2014

**TO:** Mayor and Councilmembers

**FROM:** Public Works Department, Water Resources Division

**SUBJECT:** Increase In Professional Services For Reactivation Of The Charles E. Meyer Desalination Facility

**RECOMMENDATION:** That Council:

- A. Appropriate \$643,959 from the Water Fund reserves for the transfer of funds to the Water Drought Fund for reactivation of the Charles E. Meyer Desalination Facility;
- B. Increase estimated revenues and appropriations in the Drought Fund in the amount of \$643,959 for the Charles E. Meyer Desalination Facility;
- C. Authorize an increase in the extra services amount with Carollo Engineers, Inc., Professional Services Contract for Preliminary Design Services for Recommissioning the Charles E. Meyer Desalination Facility, City Agreement No. 24,833, in the amount of \$343,959, for a total contract expenditure authority of \$1,164,587; and
- D. Authorize the City Attorney to negotiate and execute a Professional Services contract with Latham & Watkins LLP in an amount not to exceed \$200,000 for legal support services related to the City's existing Coastal Development Permit for the Charles E. Meyer Desalination Facility.

### **DISCUSSION:**

On May 6, 2014, Council approved a Professional Services contract with Carollo Engineers, Inc., (Carollo) in the amount of \$746,025 for Preliminary Design Services for recommissioning the Desal Facility. Council authorized the Public Works Director to approve expenditures of up to \$74,603 for extra services of Carollo for necessary unforeseen changes in the scope of work, for a total contract amount of \$820,628. Council also approved a professional services contract with McCabe & Company, Inc., for lobbying services in an amount not to exceed \$90,000 related to the City's existing CDP for the Desal Facility, as well as a professional services contract with Hanson Bridgett LLP in an amount not to exceed \$25,000 for legal services related to Desal Facility contractual requirements.

## **Proposed Work**

As design and discussions concerning existing and new project permits have proceeded, regulatory agencies have requested a number of studies. The cost of these studies significantly exceeds the extra services of \$74,603 that were approved by Council on May 6, 2014 for the Preliminary Design Services Agreement with Carollo. These studies are necessary to renew and/or obtain new permits to reactivate the Desal Facility. The cost for the permitting studies, described below, is approximately \$299,095. This cost may grow as additional information becomes available and discussions continue with permitting agencies. Therefore, staff is requesting 15 percent, or \$44,864, in extra services to cover costs for unforeseen additional permitting studies, for a total amount not to exceed \$343,959. These additional extra services will increase the previous contract amount of \$820,628 with Carollo to a not-to-exceed total amount of \$1,164,587.

*El Estero Outfall Brine Mixing Model* – Computer modeling of El Estero’s outfall diffuser system is needed to assess the mixing of wastewater effluent and Desal Facility brine with seawater. The modeling is required by the Regional Water Quality Control Board and may result in required modifications to the diffuser system to ensure proper mixing and protection of the ocean environment near the outfall. The cost to model brine mixing is expected to be \$45,759.

*Intake Water Quality Monitoring* – The California Department of Public Health is requiring a 12- to 24-month sourcewater sampling program near the Desal Facility’s intake. Also, a minimum of 12 months of sampling is needed for the City’s design engineer to determine if additional treatment equipment is required. The monitoring cost for the initial 12-month period is \$113,446. Approval for a separate contract for the subsequent 12-month monitoring period will be requested if it is decided to reactivate the Desal Facility.

*Biological Assessment* – California Coastal Commission (CCC) staff has advised the City that offshore intake repair and maintenance activities associated with the Desal Facility reactivation will require an amendment to the existing CDP, or a separate CDP. A biological assessment is needed of the seafloor surrounding the intake structure and in any areas affected by the project contractor’s anchoring activities. The assessment will be included in the CDP application. In addition, the assessment will characterize the biota (coverage, type, density, estimated biomass) on the intake structure and surrounding area and analyze the biological impact of biomass removal from the structure. The assessment will include any recommendations for mitigation and will also apply to any permits required by the Army Corps of Engineers, per the Clean Water Act, Section 404. The cost proposal for the biological assessment related to the CDP, possible Corps permitting and additional possible permitting assistance is \$139,890.

*Specialized Legal Services* -- Because of the unique and complex nature of regulations associated with CDPs, staff recommends contracting with a legal firm that specializes in

CDPs for desalination facilities. Staff recommends that Council authorize the City Attorney to negotiate and execute a legal services contract with Latham & Watkins LLP (L&W) in an amount not to exceed \$200,000. L&W specializes in complex regulatory matters and are best suited to provide legal support services related to the CDP. While staff had originally thought that Best, Best and Krieger might provide these services in connection with their work on the City's NPDES Permit for the Desal Facility, the City Attorney has concluded that L&W is best suited to provide the services on this critical aspect of the project.

**BUDGET/FINANCIAL INFORMATION:**

Staff is requesting that Council authorize the transfer of reserves in the amount of \$643,959 from the Water Fund to the Drought Fund to cover the additional costs related to the reactivation the Desal Facility. Staff is requesting additional funding to cover the cost of internal billable staff from other City departments and divisions who provide necessary services required to support the permitting process. At this time, staff support is estimated to cost \$100,000, which is sufficient to support such staffing needs through February 2015. Based on Fiscal Year 2014 preliminary year-end projections, there will be sufficient reserve funds in the Water Fund for this use.

The following summarizes estimated preliminary design and permitting costs:

**PRELIMINARY DESIGN AND PERMITTING COSTS**

<b>PREVIOUSLY AUTHORIZED FUNDS</b>	
Preliminary Design and Extra Services – Carollo - May 6, 2014	\$ 820,628
Lobbying Services – McCabe & Company, Inc. - May 6, 2014	\$ 90,000
Legal Services – Contract Req, Hanson Bridgett LLP - May 6, 2014	\$ 25,000
EI Estero Effluent Sampler Station Project - June 17, 2014	\$ 41,069
Legal Services – NPDES Permit, BBK - July 1, 2014	\$ 200,000
Desal-Based Water Rate Study – Raftelis - Action to be taken by Council on July 29, 2014 (from reserves)	\$ 42,397
<b>Subtotal</b>	<b>\$1,219,094</b>
<b>REQUESTED FUND AUTHORIZATION</b>	
Additional Extra Services Funds for Permit Studies, Carollo	\$ 343,959
CDP Permitting Legal Services, Latham and Watkins LLP	\$ 200,000
Internal Billable Staff	\$ 100,000
<b>Subtotal</b>	<b>\$643,959</b>
<b>TOTAL PRELIMINARY DESIGN AND PERMITTING COSTS</b>	<b>\$ 1,863,053</b>

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Increase In Professional Services For Reactivation  
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At its meeting on July 14, 2014, this item was presented to the Water Commission. The Commissioners voted 5/0/0 in concurrence with staff's recommendations.

**PREPARED BY:** Joshua Haggmark, Acting Water Resources Manager/RLR/mh

**SUBMITTED BY:** Rebecca J. Bjork, Public Works Director

**APPROVED BY:** City Administrator's Office



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** July 29, 2014

**TO:** Mayor and Councilmembers

**FROM:** Water Resources Division, Public Works Department

**SUBJECT:** Contract For Drought Related Water Rate Modeling Services

**RECOMMENDATION:** That Council:

- A. Appropriate \$42,397 from the Water Fund reserves to the Water Drought Fund for expenses related to the Desalination Financing and Water Rate Modeling Study; and
- B. Authorize the Public Works Director to execute a Professional Services contract with Raftelis Financial Consultants, Inc., in the amount of \$33,917 for services related to the Desalination Financing and Water Rate Modeling Study, and authorize the Public Works Director to approve expenditures of up to \$8,480 for extra services that may result from necessary changes in the scope of work.

**DISCUSSION:**

On May 20, 2014, Council declared a Stage Two Drought Condition (Stage Two) in response to the ongoing drought and upon conclusion of the driest three-year period in local records. Stage Two is the second of three stages in the City's Water Shortage Contingency Plan. Among other things, Stage Two response measures include the development and adoption of a rate structure reflecting increased costs associated with responding to the drought and targeting a 20 percent reduction in customer water demand. Under the Stage Two water rates, customer bills have increased 3 percent for low water users, 16 percent for moderate users, and 67 percent or more for high users. The Stage Two water rates, as well as the water rates for Fiscal Year (FY) 2014, were developed by Raftelis Financial Consultants, Inc., (Raftelis) in compliance with California's Proposition 218, which was approved by voters in 1996. Any adjustment in water rates must be done in compliance with Proposition 218 requirements, which is known as the *Right to Vote on Taxes Act* and includes the requirement that the rates may not exceed the estimated cost of providing the service and must be reasonable, fair, equitable, and proportional.

Upon adoption of Stage Two, staff has continued planning for a potential Stage Three Drought Condition, which may occur in the event of another year of below average rainfall. A key feature of the Stage Three Drought Condition would be the reactivation

of the City's Charles Meyer Desalination Facility, constructed in 1991-92, during the previous severe drought. The reactivation will be at a substantial cost, currently estimated at \$28.5 million in capital costs, with annual operating costs of at least \$5 million. These substantial added costs require an update to the Water Fund Financial Plan and a new rate structure sufficient to generate the revenues needed to cover these costs. The new rates will also increase the incentive for a reduction in customer water use to ensure that the planned 20 percent demand reduction is achieved.

Staff has received a proposal from Raftelis to complete the modeling and analysis necessary to develop a recommended rate structure that incorporates the desalination facility's reactivation costs. This will build upon the water rate model developed by Raftelis under previous contracts. The work will be based on information currently being developed as a part of the preliminary design study for the reactivation of the desalination facility. A Water Fund Financial Plan will be evaluated, with particular attention to water rates for Fiscal Years 2016 and 2017. The work will be documented in a report that will include a recommended rate structure. Also included is the cost of attending local meetings and providing staff training on the use of the rate model. Work is scheduled to be completed by early November 2014, to allow sufficient time for distributing required rate notices prior to moving ahead with financing the desalination facility reactivation.

An extra services authorization equal to 25 percent of the base costs is recommended due to the evolving nature of the Desalination Preliminary Design Study and the need to promptly address unanticipated issues that may arise. The Board of Water Commissioners heard this item at its July 14, 2014 meeting, and the Board voted 5-0-0 in support of the recommendation.

**BUDGET/FINANCIAL INFORMATION:**

The recommended appropriation will make funds available for the recommended Professional Services contract. In a companion report, staff is presenting an updated overall tabulation of projected drought costs based on recent information regarding desalination reactivation.

**PREPARED BY:** Joshua Haggmark, Acting Water Resources Manager KD/BF/mh

**SUBMITTED BY:** Rebecca J. Bjork, Public Works Director

**APPROVED BY:** City Administrator's Office



Agenda Item No. 21

File Code No. 440.05

# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** July 29, 2014

**TO:** Mayor and Councilmembers

**FROM:** City Administrator's Office

**SUBJECT:** Conference With Labor Negotiator

**RECOMMENDATION:**

That Council hold a closed session, per Government Code Section 54957.6, to consider instructions to City negotiator Kristine Schmidt, Administrative Services Director, regarding negotiations with the Treatment and Patrol Bargaining Unit.

**SCHEDULING:** Duration, 30 minutes; anytime

**REPORT:** None anticipated

**SUBMITTED BY:** Kristine Schmidt, Administrative Services Director

**APPROVED BY:** City Administrator's Office