

State of the City – February 28, 2018

Good morning Escondido and welcome to our 8th State of the City Address.

First, I would like to recognize my wonderful wife for almost 40 years Mona. I want to thank the Escondido Chamber of Commerce for putting on this great event, and our sponsors. I want to welcome my colleagues on the City Council, the Mayors of “Innovate 78,” and all elected officials. I am also pleased to have our City Manager Jeff Epp and City Attorney Mike McGuinness. And thank you, Chief Carter, our MC and Fire Chief Rick Vogt. And to our City’s management team, our 1,000 employees, and our volunteers, I thank you all for your hard work and outstanding service to our great City.

I am honored to have served as your Mayor since 2010 and as your Councilman since 2004. I am so proud to report that the State of our City is absolutely outstanding, dynamic and quite frankly, very inspiring. We have held true to our promise to all of you of delivering a safer, cleaner, and more efficiently run City that is more vibrant and better than ever before. Our city is now a great place to visit, explore, do business and raise a family. We promised you a better city and we delivered a better city! Let us watch a 5-minute video.

Today I will talk about our accomplishments through the Council’s Action Plan and what we achieved together last year. I will present the challenges, and share with you a very promising and exciting year ahead.

Our City Council Action Plan sets the stage for success in Escondido by focusing on core functions of local government: Economic Development, Financial Stability, Public Safety and Neighborhood Improvement. Together, we build a positive image and pride in our community.

Economic Development

In the area of Economic Development, Escondido has seen unprecedented intense economic growth. We lead our region in business attraction and private investment. This is reflected in 35 significant upper scale projects, collectively valued at \$1.5 billion that have been approved or going through the approval process. We look forward to working with Integral Communities to develop the Palomar downtown campus to its full economic potential. And Palomar West continues to provide outstanding health care services in Escondido and the region.

Last year the Council reaffirmed their commitment to the “Get to Yes” program by approving five rounds of Zoning amendments designed to streamline the planned development process, created a minor conditional use permit, moved some public hearing projects from Planning Commission to Planning Director, streamlined the micro-cells permitting process, reduced restrictions for accessory dwelling units, and created incubator opportunities for start-up businesses in our industrial park.

Building activity throughout the year remained vibrant and strong from start to finish. We approved the 380-unit Country Club project, started construction on the 112-unit Latitude II project, continued construction on the 179 homes Canyon Grove development, completed the 65-unit City Plaza project, and the 126-condo Gateway project will soon be built at the former police station

2017 was a very successful year for businesses in Escondido. Last year, we added 723 net new businesses. And since 2010, we have attracted more than 2,200 net new businesses to the City. Jacked Up Brewing, Escondido Brewing Co., Forgotten Barrel Winery and Gravity Skateboards are just a few of the new businesses that moved to our City last year. Marriott Springhill Suites and the Centerpointe 78 Commercial Center will contribute to our growing tax base. A new 10-acre industrial park will be the future home of Fortune 100 company Veritiv, and Escondido’s agriculture industry continues to expand with the addition of Henry Avocado’s new 52,000 SF headquarters and distribution facility.

Last year, EDI made significant investment in Escondido, partnered with the City to open a 70,000 SF state of the art recycling center to lead to “On the Road to Zero Waste”.

SDG&E, another valued business in Escondido, built the world’s largest lithium-ion battery energy storage facility to provide more reliable energy to the region.

Finally, just last month, One Stop Systems kicked off 2018 by becoming the first IPO of the year from the San Diego region. Escondido’s economic indicators are doing exceptionally well: unemployment rate is 4.1%, our retail/commercial vacancy is 3.7% and our industrial vacancy is at a record low of 2.4%. Economic prosperity is a promise made and a promise delivered to our community.

As a result of our booming economy, our Sales Tax revenue has increased from \$22 million in 2010 to a projected record of \$40 million this year. This is a result of City Council policies focused on strategic economic growth.

During the first half of this fiscal year, 15 development plans were approved for construction and 31 additional active projects received plan reviews. I am happy to announce that a successful pilot program for expedited plan review was completed and has reduced plan check time by 30%.

Escondido remains a dedicated partner in the unprecedented and dynamic regional collaboration “Innovate 78,” working together to attract capital, jobs and talent to North County. Innovate 78 has received significant media attention over the last year, including the San Diego Business Journal “Special Report” on our significant progress.

Financial Stability

While we need to develop our local economy, we also need to remain a financially stable City, and I am proud to say we are rock solid financially! Since 2010 and for seven consecutive years we have balanced our budget without using reserves or raising taxes. More good news, we will finish this year with a surplus to make it eight consecutive years of balanced budget. We turned a \$16 million deficit into a \$10 million surplus. We maintained a \$17 million reserve fund and have plans to grow that reserve.

Just two weeks ago, the City Council approved a \$2 million Section 115 Irrevocable Pension Trust. I will soon ask the City Council to put an estimated \$28 million one-time revenue into the pension and reserve funds to reduce and stabilize our long term pension liability and to continue to provide sustainable services to the general public. We are constantly looking for efficiencies in our City’s operations, we regularly turn to the private sector if work can be done more efficiently at a lower cost.

Our successful financial policy has led to a general obligation bond rating of AA- by Standard and Poor’s. I am very pleased to report that just last month, this rating was reviewed and maintained by the ratings agencies. This rating represents a strong capacity to meet our financial obligations, makes our City’s bonds more attractive to investors and will help us lower our borrowing cost and save ratepayers millions of dollars over the next 15 years.

Public Safety

Public Safety remains a key priority for the City Council. Escondido's Police and Fire departments are fully staffed. With our state of the art Police and Fire Headquarters, our own firearms training range, our own SWAT team, and our new and upgraded fire stations, I believe we have the finest public safety departments in the entire County.

This year, we reached three-year labor agreements with both Police and Fire Associations that will share the cost of retirement and health care, and provide stability for our budget in upcoming years.

Our proactive Community-Oriented Policing will continue to achieve positive and tangible results, one neighborhood at a time. Our 3rd Neighborhood Transformation Project was completed in the west-end with positive results. This successful program will move to the downtown area in 2018. And Just few weeks ago, the City Council reaffirmed unanimously our commitment to ban marijuana in our City to protect the health and safety of our community.

Our City has been a strong believer in the rule of law and we have historically cooperated with federal agents in deporting illegal criminals. While Sacramento, under SB54, the Sanctuary State, has made the job of law enforcement more difficult and communities less safe, we will continue to do everything we can under the law to ensure that criminals here illegally, including gang members, will be removed and deported from our City. We will continue to build trust with the community we serve. Our successful policies have resulted in reducing overall crime in the city by 33% since I was elected mayor in 2010 and this last year, crime is down another 17%. Auto theft is down 41% just this year.

Our Fire Department continues to respond to emergency calls and prepare us for natural disasters. We were once again the host of CalFire Base Camp at Kit Carson Park during the Lilac Fire. This central command was truly an impressive coordination between local, county and state government to improve public safety. I am so proud of the response of our firefighters to the tragic fire in the Greencrest Mobilehome Park last year. Escondido Fire Department partnered with Rincon Del Diablo Water District, the American Red Cross and the Burn Institute to provide free smoke alarms and installation for 1,000 residents. They were able to achieve that thru hard work, education and outreach.

We promised you a safer city and we delivered a safer city. I want to personally thank our police officers in Escondido and in our nation. This mayor is always proud to honor you and support you. Thank you for keeping Escondido and America safe.

Neighborhood Improvement

Economic development, financial stability and public safety are all part of our core mission. But a city needs great neighborhoods and a great downtown. Neighborhood Improvement is another top priority for the City. The City has also spent millions of dollars to improve our 7 parks and 5 recreation centers.

Our historic downtown continues to thrive with special events like “Cruisin’ Grand,” attracting thousands of visitors each year. The California Center for the Arts presented outstanding shows and performances to over half a million visitors. Last week, we heard and approved a visioning project to create the best urban living in our historic downtown.

Sports tourism is thriving. Escondido is host to 35 local, regional and national sports tournaments annually, bringing tens of thousands of visitors to Kit Carson and Ryan Parks each year. The San Diego Zoo Safari Park and Stone Brewing Company, the second and third largest tourist destinations in North County, attract over two million visitors annually. When Stone Brewing Company submits their plans to build a new hotel, the City promised to approve their application in 60 short days. We are proud to have such a successful business here in Escondido.

The Pavement Management program has resurfaced 94-lane miles of streets, the largest program in over a decade. Taking a comprehensive approach to the complete street program, we added 5-miles of bike lanes to our streets, and the 7-mile bike path in our City will soon be completed. And finally the \$10 million Bear Valley/E. Valley project will soon be completed to provide traffic congestion relief in East Escondido.

SANDAG has reached milestones in improving our transportation system. They recently approved to request \$7M funding from the state for an EIR to expand the HOV lanes from I-15 to HW 78.

Our diverse educational base of public and private schools and colleges continue to improve academic levels in our city and provide more educational offerings and programs. Our Heritage Charter and the Classical Academy continue to grow. Our public schools are renovating facilities and making them safer, and John Paul the Great Catholic University continues to bring youth and vitality to our downtown.

Challenges

The State of the City would not be complete without a candid discussion of our challenges. The surging homeless population in San Diego County is a good example, and can be attributed directly to state bad policies like AB109, Propositions 47 and 57, releasing hundreds of criminals from State prisons to our neighborhoods and local jails. 33% of our homeless population today are either on probation, parole, or have severe mental illness or substance abuse. These failing policies lowered the threshold for many serious crimes from felony to misdemeanor and resulted in more criminals being released into the general population. Sacramento has failed, as promised, to pay millions of dollars to provide mental health services to the homeless.

To address these challenges, the City has partnered and invested \$.5 million with Interfaith Community Services, another \$2.1 million with Solutions for Change to build 33 transitional housing units for homeless families. These significant investments are in addition to our \$35,000 annual funding for North County Regional Solutions for the Interfaith Haven House year-round homeless shelter.

The homeless challenge cannot be solved by government alone, Escondido is fortunate to have many active organizations providing much needed resources and programs to put those in need on a path to self-sufficiency and to provide permanent solutions for homeless families. Your contributions to deliver tangible change and care to the less fortunate in our community are greatly appreciated.

Our City Manager has established Police, Code Enforcement, and Public Works teams to address the issue as well. Our Police Department COPPS team partnered with several health and human services agencies to provide much needed counseling support, particularly to our veterans. COPPS also began a reunification program, and have united several homeless with their families.

We aggressively target homeless encampments within 12 hours after being reported to the City. We do not tolerate people living in the parks, in front of businesses, or in our flood control channels. We partner with volunteers to keep public spaces clean and safe.

Another problem we face is the growing public pension obligation. California desperately needs pension reform. These obligations are getting more and more expensive and cities now face huge unfunded liabilities, these liabilities are diverting funds from public services to retirements.

I am happy to report that our City is on the forefront of this issue. In 2010, Escondido was one of the first cities to implement pension reform at the lowest level allowed by the State. Even then, the pension obligation continues to skyrocket. A recent PERS projection lowering the return on investment from 7.5% to 7%, will dramatically increase Escondido's annual obligation from \$20 million this year to an estimated \$38 million annually in 2022. Between pension, health care, salaries and benefits, our cost of doing business will increase by \$40 million in the next four years. The state has to solve this unsustainable model and move from defined benefits to defined contributions. The pension cost will soon force many cities in California to limit services to just public safety.

The Future

Before I close, let me talk about the future and share some exciting news for our City this year.

First, our Springhill Suites at La Terraza will open this coming year. I believe the Stone Hotel near Stone Brewing will become a reality. We are excited to start transforming the old downtown hospital into a great urban living development.

We will continue to allocate an additional \$3 million a year to street maintenance to reach a more cost effective Pavement Condition Index level. The city is spending \$300 million over the next 20 years to improve and expand our water delivery system including a state of the art recycled water facility at Ash and Washington to provide more competitive water rates to 3,000 acres of agricultural land and 125 farmers in Escondido.

At City Hall, we streamlined our agenda management process by "going paperless." Within the next 60 days, we will roll out a new online Utility Billing System. We are also very excited to be working on an online renewal process for business licensing.

I also want to see us become a Smarter city, providing real time civic engagement, like the Report It application, to more effectively address service calls. Escondido has been on the forefront of using technology and innovation to enhance online services, reduce cost and engage people more actively. We continue to evaluate and assess our readiness to innovate, ensure connectivity and create public/private partnerships. Technology will be a catalyst in our journey for adaptive sustainable change and provide creative solutions to advance our strategic priorities.

And finally, and for the first time, we have developed an actual draft policy for our future Business Park. This strategic area at I-15 & HW 78 will soon be ready for technology companies to create more good paying jobs.

In closing, my resolution for our community for this year is to reflect on the values that made America a great country. A resolution inspired by the values entrusted to us by our Founding Fathers, values that we all share as Americans, values of tolerance, understanding, respect and love. Respect and love each other, our neighbors, our friends and our families.

The America that I immigrated to 30 years ago is not the same today. With a new year upon us, we should count our blessings and cherish the wonderful country we have. Let us commit to embrace all the things that unite us and bring us together as one country, one community, one neighborhood and one family.

For America to remain an exceptional nation, we must commit to a more civil discourse motivated by mutual respect, accommodation and compassion. Let's also resolve to protect our fundamental rights of freedom, liberty, pride and love of America.

Let's celebrate our successes that are happening every day in our neighborhoods, our schools, our businesses and in every corner in our community. Let us realize our dream of a future inspired by 21st century innovation. I will continue to honor your trust and lead our City with pride, thoughtfulness and passion. I am deeply committed to providing the American Dream for us and our families. Together, we will make Escondido the greatest city in San Diego.

God bless Escondido and God bless America.