



CITY OF WATSONVILLE

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To: Honorable Mayor Rios, City Council Members, Employees, and the Community

From: Charles A. Montoya, City Manager

Date: June 26, 2017

Re: Long-Term Vision Statement

Dear Honorable Mayor Rios and City Council Members:

This Vision Statement is going to look retroactively as to where we have been this last few years, the concerns/issues raised by the Council and the Community; where we are now; and the possibilities as to where we need to go in the future and focus our attention.

Where have we Been?

In 2015, while every other city in Santa Cruz and Monterey counties had successfully steered their way out of the "Great Recession" which officially ended in 2009, the City of Watsonville had not been able to achieve that same success. Many City core service levels that existed prior to 2007 from Parks and Recreation to Roads, and Utilities to Police had not been restored due to slowly recovering revenues. At the end of 2015, City staff had been on furloughs for approximately seven years, which resulted in a reduced work week and the closure of most City services on Fridays. The Police Department had eight positions on some form of leave of absence in addition 10 vacancies in the department, this effected the department's ability to effectively meet the public safety needs of the community. To compound the issue, the City had the highest number of homicides in years, totaling four, and crime rates increased across the board. In November of 2015 the City of Watsonville was identified as one of 77 cities in California that are on the brink of bankruptcy; we could not let this happen.

Our relationships with Farm Bureau, Chamber of Commerce, Pilots Association, and Business Community created an untenable situation which limited growth throughout the City and negatively affected revenue potential. In addition, many times when the City attempted to move a project forward, the City was subsequently sued, to which we lost or withdrew the project. This continued to impact the financial situation of the City with limited revenue growth.

There is a sincere importance to residential growth within our community, however there must be a balance with retail and commercial growth as well. Concentrating efforts for

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retail commercial growth was not occurring at the level to maintain core service levels, which is significantly being outpaced by costs.

Strategic Immediate Goals

Immediately over the past two years we recognized that quick decisions and strategic choices had to be made to stabilize the community service levels. In order to accomplish this task, we had to approach all the immediate revenue problems, staffing shortages, and lack of revenue diversification.

Police

A critical need came for a new police chief when a vacancy occurred due to a retirement. This gave us the opportunity to look at bringing someone into the department to build on the good foundation that had been put in place. With the retirement of the Police Chief and two senior officers, Chief Dave Honda was able to spend time restructuring the department and put into place new policies/procedures. Since December of 2015 the City has not had one homicide, as of last week there were no officers out on leave, over 50 guns have been removed from the streets, this year a couple vacancies due to officers moving or retirement, and crime statistics are down over 11% from the prior year. In addition, the City just hired the first downtown patrol officer in years. Lastly, for the first time in over five years the City is now able to write vehicle moving violations with the adoption of the road study by Council.

Trash, Homeless, Shopping Carts, Graffiti

There had been a proliferation of shopping carts, homeless camps, trash in the sloughs, and graffiti throughout the City. The homeless camps and trash in the sloughs has been reduced significantly, primarily from changing the way the City implements, and also making it a coordinated effort across multiple departments. The shopping cart issues flare from time to time, but education with the retail stores and code enforcement noticing stores that do not lock up or collect carts at night, seems to be working. The Graffiti program was reinstated with public works and police. The City added additional part-time staff to assist in the abatement of graffiti, and instituted a program to ensure private property owners are not absent and not cleaning up.

Airport

The Airport is a jewel of the community; however, it was placed as a division within the largest department of the City. The City has very limited growth potential and must use those assets to spur economic growth. Since 2015 at the airport we have the following growth and expansion efforts:

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- United Flight Services – New Business and Hanger 14,000 sq/ft, 7 employees
- Watsonville Diesel – New Facility Operations for full service fleet operations, 3-acre complex 30,000 sq/ft, will employ 20 people
- Nordic Naturals - 60,000-foot expansion moving operations from San Diego will create approx. 200 jobs
- Custom Brewery and Restaurant – 6,500 sq/ft
- Sage Technologies, will be adding 12 more employees

These additions will help us expand services throughout the community and create new jobs.

Parks and Recreation

Many of the parks within the City have been in dire need of maintenance and capital influx and our program offerings have been limited and reduced over the years. Many times this is the last possibility for outreach for kids that need that extra involvement to succeed and stay out of gangs or criminal activity. We continually look at ways to increase services and outreach for at-risk kids; and the more resources we have we will continue to grow.

Planning and Community Development

Several critical commercial/retail projects that could bring additional revenue to the City were either stalled due to potential litigation, or they were denied due to issues that limited their approval. Several of these projects have now been approved by Council and in process, we hope to see the final completions by late 2018.

We were short staffed in Code Enforcement, which created a major backlog, but also led to selective enforcement that was not balanced throughout the community. An additional code enforcement officer has been hired, the priority is Life, Health, and Safety issues, but we have added the basic ancillary issues as a priority as well.

Growth throughout the City is evident with the following:

- 400 new homes approved and some under construction
- 7-acre Commercial development off of Lee and Beach Rd – will include two hotels, gas station, and several pad restaurants, they have started moving dirt
- Downtown Beatification has started will be completed by end of July
- Approval of a hotel at the intersection of Main and Freedom, which just received their approval from the hotel chain.
- Lakeside organics, 91,000 sq/ft facility for agriculture locating in the City of Watsonville
- Major influx of medical office with the new Kaiser Facility largest in County

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Community Beautification

Prioritizing with Parks, Public Works, and other departments to ensure the Staff begins to make inroads in mowing, landscaping, and pushing through one-time beautification projects, is singularly important. If the City is seeking to increase resources for core services, programs, and enhancements – we must move forward and transform the community. Businesses will not make an investment in a community to add jobs or revenue, if the City cannot invest, in itself. Working with our community partners we have been able to obtain one-time revenue to help with landscaping, trees, the downtown and parks.

Revenue Diversification

Recognizing the largest expense in the General Fund is Police/Fire which make up almost 75%, adding Parks and Recreation is another 10%, thus 85% of the General Fund is used by three departments; that is not bad. However, when the majority of the General Fund is based primarily around sales tax, and fees for services – it adversely places the City in a predicament that makes us more susceptible to fluctuations in the Economy. Recognizing this concern, the City placed three items on the ballot in November 2016:

- Cannabis Tax
- Utility Users Tax with a reduction in rate, expansion in allocation, and an exemption for income level, seniors and those that are disabled.
- An increase in the Transit Occupancy Tax for Hotels, this would not have helped us much if the City was not able to recently approve three new hotels.

All three of these ballot measures were resoundingly passed by the voters by 75%. This passage is taking a step in the right direction and will help stabilize revenue growth in the next two years.

Long-Term Vision and Planning

There are several major issues and concerns coming in the next few years that we must be cognizant of and plan for accordingly; if we are remiss and planning for these items we put the City at serious financial risks. It is our duty to be responsible and plan for an efficient service delivery system, but we cannot if we don't safe guard our assets, revenues, employees and the community.

Measure G

Measure G, the half cent sales passed by the voters in 2014 for a five-year term, brings approximately \$3.8 million per year to the City for police and fire services. We need to start planning what we are going to do, to extend this measure. While we are doing a full

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sprint to recruit commercial and retail business to the community, we will not be able to increase that amount by \$3.8 million annually in such a short period of time. We are at a point in the community that the services being provided by Public Safety is being noticed and we are all benefiting for it; our crime statistics are the lowest in the County per capita. Working for Watsonville in Public Safety is attracting everyone throughout the region due to the reputation of our departments and Chiefs. In 2018, we need to establish an exploratory committee to begin doing outreach regarding the extension of Measure G.

Measure U

In November of 2002, the voters approved a 25-year growth initiative that limits the City growth for annexation setting an urban limit line; the City is coming up on the expiration of this in the next decade. However, it is important to note a few things:

- We live in a community that was born out of the Agriculture Industry
- Many of the people that work in the fields or Corporations, live in the City for which we provide services
- The available properties in the current municipal boundaries are so costly to develop, that it becomes a hurdle commercial or housing cannot overcome
- The land available within the area is some of the most organic and perfect for farming we must respect that
- We need to begin to look at areas that are congruent to the City that are already developed
- Most importantly, we have to engage and work with everyone in the community and listen to their expectations

Revenue Diversification

We must not become complacent in finding new methods and expanding our revenue diversification, or we, the employee, and community will pay the price. As staff, we must continue to explore how we can maintain core service levels, by expanding revenue, through expanded retail/commercial, or continually reviewing how we provide services to make us more efficient. Revenue diversification is the only way we will protect this community from us reducing employees and services. Many recent articles have stated that communities such as Watsonville are more at risk to bankruptcy because of being full-service, than those that are not; having seen that we must continue to be vigilant and work on bringing jobs and businesses to this community.

Contract Agreements

Partnerships are the greatest thing we have as a community, but we need to ensure that any contract agreements with other organizations, benefit what we do for our residents. We must look at the long-term effect of contract agreements and not just the short-term. The economy and technology is changing too fast, and long-term agreements can be detrimental

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to Watsonville if we do not allow flexibility. Long-term contracts will be no longer be recommended without flexibility for our changing environment.

City Image

The Council and Staff over the last year has spent a considerable amount of time rebranding the City and showing who we have become, and where we are going. The past perception of Watsonville in the three-county region, the State, and nationally has been negative. This message is changing as we draw more people and businesses to this great community. We are not a crime ridden community with little to no services, and nothing that people outside of this community want to see. We have some of the largest corporations in the country, and the lowest crime profile; we must continue to build on that, and we will.

Relationships

Everywhere I make a public speech or engagement I make the point that “*Relationships don’t know the lines on a map*”. Meaning that whether it’s in Santa Cruz County, Salinas, Monterey County, or the State of California we need to reach out and develop and foster all relationships, it is for our own success, they don’t stop at our municipal boundaries. Not having relationships with community partners such as the Chamber or Farm Bureau can no longer be accepted as part of who we are; if we want to succeed we need to engage everyone we can.

Capital Infrastructure Investment

City parks, municipal buildings, and basic infrastructure is in severe disrepair, in part because we have not had the resources to invest. However, we must look at the overall basic cost of what we do annually to maintain the basic maintenance or minimal fixing to keep them operational. We are now spending more annually for fixing and regular maintenance than we would for a permanent long-term solution to fix the major problems. If we can cobble enough together to find a way to invest in capital fixes we will have more resources annually to put toward other issues/concerns. Staff will be coming forward in the coming year with potential recommendations.

Long term future retirement costs/Health care costs

The City will be faced with approximately \$6.0 million dollars in additional pension costs over the next five years, however this is subject to change. Healthcare costs have been minimal in the last year, but we are anticipating that costs will increase significantly based upon federal legislation in the next two years. The City at this time does not have the resources to continually offset these costs. We are hoping for State solutions to the pension issues, especially since we have been labeled as one of the 77 Cities state-wide that are most vulnerable to bankruptcy. We must endeavor to continue to find more resources, work with our local partners, and our State Legislative Representatives in order to be self-sustainable.

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A destination not a stop over

The community of Watsonville has been known to be a stopover, to get gas, to come and go. We must find ways to promote our uniqueness, businesses, and destinations – so people stay longer. When people come for any event in the City they leave immediately after and stay in Santa Cruz or Monterrey where the hotels and more options are available; this must change. Staff will continue to bring options that will enable more destination spots, shopping, and hotels, so visitors stay longer. We cannot be short sighted, we need to look long-term and create a place where people want to visit again. We live in one of the most beautiful areas in the nation, we need to build on that.

Economy

Unfortunately, we must recognize that economists are estimating another downturn in the economy will occur in the next three years; we must do the following:

- Get as many projects approved and operating in that time frame
- Continue to find ways to diversify our revenue streams
- We need to look to the possibility of becoming more efficient in our operations
- We need to work with our State delegation and our employees to find solutions to the pension problems that keep forcing cities to file bankruptcy
- We must continue the full court push for economic development, increasing retail and commercial
- We must be careful enacting legislative changes that will increase costs without a revenue offset

The future is definitely bright and we see the possibilities, but we must remain vigilant and continue to find ways to be successful. We look forward to working with City Council to make Watsonville the premier City on the Central Coast; and we will endure to find those unique solutions to difficult problems that has made this community a jewel.

Thank you.

Respectfully and Sincerely,

Charles

Charles A. Montoya
City Manager