

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, FEBRUARY 9, 2016**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, February 9, 2016, commencing at 7:00 a.m.

Present: Council Member Johnson, Council Member Mounce, Mayor Pro Tempore Kuehne, and Mayor Chandler

Absent: Council Member Nakanishi

Also Present: City Manager Schwabauer, City Attorney Magdich, and City Clerk Ferraiolo

NOTE: Mayor Pro Tempore Kuehne left the meeting at 7:51 a.m.

B. Topic(s)

B-1 Discuss Framework for Long-Range Budget Policies (CM)

Deputy City Manager Jordan Ayers summarized that last week's Shirtsleeve Session focused on the budget and reserve policies, while this week's topic discusses concepts for long-range budget policies. He stated that this process will take three steps: 1) Council feedback and direction on proposed policy issues; 2) policy adoption by Council; and 3) implementation of the policies. Mr. Ayers stated that staff will return in late summer or early fall with proposed policies for Council consideration and adoption, after which Council can choose to implement the policies at either the 2016/17 mid-year budget review or at the 2017/18 budget adoption.

Mr. Ayers provided a PowerPoint presentation regarding the framework for long-range budget policies. Specific topics of discussion included goal, Capital Improvement Plan, capital replacement - vehicles, capital replacement - facilities, capital replacement - information technology, Other Post-Employment Benefits (OPEB) funding, pension stabilization, and recommended priorities.

Mayor Pro Tempore Kuehne questioned if staff would be providing Council with the funding priorities for the monies set aside for street rehabilitation and other projects prior to any funds being spent. Council Member Mounce further clarified the question, asking if staff would provide that information to Council during budget review prior to the final printing of the approved budget. Mr. Ayers stated the purpose of a Capital Improvement Plan is to set forth the priorities over the next five years and the schedule for those projects, all of which will be a part of the published budget document. City Manager Schwabauer added that, during the budget presentations at Shirtsleeve Sessions and Regular Council meetings, staff will include this information in order for Council to ask questions, make comments, and request amendments.

Mr. Ayers responded to a question that was posed at the previous Shirtsleeve Session regarding useful life of vehicles, stating that the City's criteria is set forth in the Comprehensive Annual Financial Report, which is 5 to 15 years, depending on the nature of the vehicle.

In response to Mayor Pro Tempore Kuehne, Mr. Ayers stated that the tax concept is not applicable to the City; therefore, there is no tax depreciation associated with vehicles. The City utilizes a straight line depreciation, and he used the example that a \$20,000 vehicle with a four-year lifespan would need \$4,000 set aside each year for replacement.

Council Member Mounce appreciated staff's effort in creating appropriate equations to ensure all assets can be repaired or replaced, but she expressed concern with how the City will ultimately

achieve this goal, particularly with the pension issue and the set-aside funding for assets that were never covered in the past. Mr. Schwabauer stated that staff acknowledges this goal is larger than the near-term ability to accomplish, but he stressed the importance in ascertaining the needs so the City can systematically meet its goals. In response to Council Member Mounce, Mr. Ayers stated that former City Manager Blair King created the vehicle replacement fund and money was set aside, although it is an insufficient amount. Council Member Mounce requested information on how much money was set aside in the vehicle replacement fund and for Parks and Recreation for the last five years. Mr. Ayers stated that the current projection as of June 30, 2016, is \$1.1 million set aside for general fund functions, and he stated he would provide a breakdown for the last five years.

In response to Mayor Pro Tempore Kuehne regarding the previous question, Mr. Ayers reiterated that \$1.1 million is set aside at this time, but the amount necessary is \$4.1 million, i.e. \$3.1 million short.

Mr. Ayers stated that the useful lifespan for major systems relating to facilities would be 15 to 20 years and for information technology equipment 3 to 10 years, depending on the equipment.

Council Member Mounce requested that Mr. Ayers clarify for the media that the City of Lodi does not provide healthcare for retirees. Mr. Ayers stated that the City pays \$130 per employee per month for healthcare as mandated by the California Public Employees Retirement System (Cal-PERS) and converts sick leave to healthcare for those employees hired prior to 1995, the amount of which depends on the sick leave balance per employee. In further response, Mr. Ayers confirmed that those employees can choose to convert their sick leave to cash; however, a majority opt to convert to healthcare. He further reiterated that the City no longer offers the sick leave conversion program to employees; it ended in 1995.

Mr. Ayers reported that fully funding an OPEB trust fund with an assumption of a 4 percent rate of return at 10 years would require a \$1.3 million contribution; at 15 years \$800,000; and at 20 years \$540,000 and that the general fund is 70 percent of the cost. He stated that, if Council would like to proceed, staff could return with a Request for Proposal process to set up a trust fund. For a pension stabilization fund with a liability of \$91 million following the same assumption, it would be 10 years at an additional contribution of \$7.5 million; 20 years at an additional \$3 million; and 30 years at an additional \$1.6 million, with the general fund costs at 70 percent.

In response to Mayor Pro Tempore Kuehne, Mr. Ayers stated that the City does not currently have a third-party trust for OPEB or pension stabilization, but it does have third-party bank accounts that are operated by a third-party administrator for workers compensation and liability insurance. There are no third-party trusts addressing unfunded liabilities.

In response to Council Member Mounce, Mr. Ayers confirmed that the funding set aside for groundwater contamination is held by the local treasury and from a financial reporting standard, it is shown as a restricted fund. Unfortunately, OPEB cannot be handled similarly because it does not count toward the unfunded liability if it is held by the local treasury; it must be structured as a trust.

In response to Mayor Chandler, Mr. Schwabauer explained that withdrawing from Cal-PERS would come at a significant cost to the City by adding \$300,000 to \$400,000 on the current \$91 million liability. He did not see any possibility of Lodi acquiring enough funds to buy out of Cal-PERS.

In response to Mayor Pro Tempore Kuehne, Mr. Ayers stated that maintenance is not included in facility replacement; it is only for capital improvements and not general upkeep and repairs.

Council Member Mounce requested information on what it would take for Lodi to opt out of the healthcare offered by Cal-PERS and reported that the League of California Cities is working on a project to offer market place insurance for cities, which would provide greater control for employees over their healthcare choices at a lower cost to them and cities. She suggested

looking into leaving Cal-PERS or offering a combination of the two programs. Mr. Schwabauer stated he would look into the matter.

C. Comments by Public on Non-Agenda Items

Myrna Wetzel provided a presentation on the importance of rain barrels for collecting water runoff from gutters for use on lawns and gardens. Since the installation of her rain barrel, Ms. Wetzel reported that she has collected 200 gallons of water. She estimated that if 6,000 Lodi households installed rain barrels and each collected a minimum of 50 gallons of water, it would represent a savings of 300,000 gallons of water. She urged the City to consider incentives to residents to buy and install rain barrels, including a rebate program for those who are interested.

In response to Mayor Chandler, Ms. Wetzel stated that she plans to use her collected water on the trees, bushes, and plants in her yard, adding that she recently purchased a hand siphon to assist in her irrigation efforts. Ms. Wetzel presented Council with an article entitled, "Harvesting Rainwater" (filed) for Council's information. Mayor Chandler agreed this is a sound concept and stated the State is reviewing all options for collection and reuse of stormwater.

Council Member Mounce requested the City Manager create a rebate program proposal for rain barrels for Council consideration or a program in which the City purchases barrels in bulk for resale to citizens at a reduced rate. City Manager Schwabauer confirmed the City currently offers water efficiency programs, but it does not include rain barrels at this time. He will research options and return to Council.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 7:52 a.m.

ATTEST:

Jennifer M. Ferraiolo
City Clerk