

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, MAY 17, 2016**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, May 17, 2016, commencing at 7:01 a.m.

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

Absent: None

Also Present: City Manager Schwabauer, Deputy City Attorney Fukasawa, and City Clerk Ferraiolo

NOTE: Deputy City Attorney Fukasawa arrived at 7:41 a.m.

B. Topic(s)

B-1 Receive Information from Staff on Potential Uses for Potential Sales Tax Measure Revenue (CM)

City Manager Schwabauer provided a presentation regarding the possible uses for potential sales tax measure revenue. Specific topics of discussion included potential sales tax measure recap; Police Department options; Scenarios A and B; Fire Department spending plan; Parks expenditure plan; description of projects, timeline, and costs for Lodi Lake Park, playgrounds, restrooms, aquatics, and sports fields; Parks 1/8 cent sales tax, 15-year spending plan; and next steps.

Mike Lusk questioned why the proposed sales tax measure did not include an element to address the California Public Employees Retirement System (Cal-PERS) debt and whether the proposals would increase staffing in order to accommodate oversight of the projects or if the current staffing level was adequate. Further, Mr. Lusk stated that he believed a 1/4 cent sales tax increase for public safety is inadequate; it should be 1/2 percent instead. He questioned if the issues would be put forward as separate measures or combined.

Mr. Schwabauer responded that his understanding from Council was that this measure would be pursued as separate issues; not combined. With regard to Cal-PERS, the only element of the spending plan that has a cost associated for additional employees and Cal-PERS implications is the Police Department for a police officer, while the Parks and Fire spending plans are based on the assumption that existing staff will accomplish the goals. Mr. Schwabauer stated the spending plan assumes that the Fire engine will be fully staffed with overtime hours, explaining that it would cost \$1.4 million to staff the engine with overtime hours and \$1.5 million with new firefighter positions.

In response to Council Member Mounce, Mr. Schwabauer explained that his \$1.4 million estimate for overtime hours to staff the engine is the current expense of \$650,000 to run the engine and the additional \$798,000 necessary to return the engine to full service.

Pat Patrick, President & CEO of the Lodi District Chamber of Commerce, reported that the Chamber posed a question to its members on what they think about the proposed sales tax measure for Parks and public safety. From the 30 responses, the reply from half was that this is another hit on businesses, especially on the heels of the increase to the minimum wage, pending legislation on workers compensation, higher taxes in general, and other regulations that are harmful to local businesses. Many responders felt the City could move funds from one

department to another and consider other options before growing the tax base, while others were sympathetic to the erosion at Lodi Lake but questioned if new regulations on jet skis and boats would be enacted to prevent further erosion that will cost residents more down the line. With regard to public safety, many of the responders expressed concern about the high cost of pensions, stating they felt the Police Department has funding from the last budget because it could not hire or retain officers. Mr. Patrick stated that a confused mind will likely vote no on such an issue, adding there are too many questions and unknowns regarding this endeavor.

Larry Long, Chair of the Recreation Commission, stressed that the Parks spending plan addresses maintenance on facilities, structures, and sites that should have been corrected a long time ago. He stated the Commission voted unanimously to support a 1/8 cent sales tax, which equates to roughly \$3 per household. Overall, he is against sales tax increases; however, it is imperative that maintenance in Parks be addressed, and he urged Council's support for the proposal.

Greg Goehring stated he did not believe Lodi has a revenue problem; instead, the problem is with public pensions, which are rising every year. Without the pension problem, there would be money available for other things. He believed raising sales tax is the wrong direction for Lodi and pointed out that citizens are not asking Council to put this on the ballot. Mr. Goehring stated that he read an article in which Governor Brown called for restraint on spending because State revenues are not as anticipated and Lodi should heed that warning. He believed Council Members were elected on a platform of fiscal restraint, not on raising taxes, and the City should look at other solutions, such as eliminating some parks or privatization, before increasing the sales tax.

Council Member Mounce agreed that raising taxes is a last resort; however, she believed it was ultimately the citizens' decision to raise taxes and define the type of community they want. She stated the City cannot meet its Cal-PERS obligation and still put more police officers on the streets, staff the fire engine and train firefighters, and improve the parks system. If the Cal-PERS obligation did not exist, the City could fund this wish list. She stated that she routinely lobbies the Governor, legislators, and Cal-PERS to help them understand that the pension system is not sustainable and will likely bankrupt cities across the state. Council Member Mounce pointed out that Lodi Lake is deteriorating and the money that was set aside from the sale of the land for the water plant was utilized for an emergency. She stated she would only support a measure that is a special tax with an oversight committee made up of professionals and outside accountants to ensure the money is managed properly and a sunset of no more than 15 years. In addition, she preferred to package the measure together and fairly distribute the money between Police and Fire with the remainder going to Parks. Council Member Mounce stated that adding sworn officers adds to the pension costs and will only be paid for during the life of the measure, after which the officers are no longer covered. The citizens will have to speak for what they want, and she believes this will be an uphill battle.

In response to Mr. Schwabauer, Council Member Mounce clarified that she is concerned about the higher spending plan for the Police Department that will add officers with benefits packages while the Fire Department is only getting \$798,000. She suggested a fair split between the two, even if it means fewer officers for the Police Department, and further clarified that this be one measure, not two.

Council Member Nakanishi expressed his opposition to the proposed measure, stating he believed it was not fiscally sound. He stated the City is in a positive situation at the moment, but the future may bring another recession, and that may be the more appropriate time to present a measure.

Mayor Pro Tempore Kuehne agreed this is a tough decision, stating a significant amount of excess has already been trimmed from the budget after the last recession and the Cal-PERS problem is a serious issue for the City, as well as the state as a whole. Lodi Lake and Hutchins Street Square are jewels of this community, and many of the amenities set Lodi apart from other communities; however, if they are not maintained, those assets will continue to deteriorate and cost more money down the line to repair. Mayor Pro Tempore Kuehne also believed this measure should be packaged together as a special tax with an oversight committee to ensure that citizens

know exactly what they are voting for on the ballot. He stated he would go along with a 15-year measure, but he was more amenable to 10 years. With regard to the two scenarios on the Police spending plan, he stated he prefers Option A because it does not result in a negative bottom line. Mayor Pro Tempore Kuehne stated that the voters should decide if they want to keep Lodi safe.

Council Member Mounce stated that she would support a 10-year sunset on the measure.

Council Member Johnson stated that he supports putting the tax initiative on the ballot at either a 10- or 15-year sunset and expressed disappointment in Council Member Nakanishi for not allowing the voters to make up their minds. The Parks, Recreation, and Cultural Services Department prepared a Strategic Plan and performed outreach and surveys that seem to demonstrate a level of support, and the public should be given the opportunity to vote on the matter. The revenue from the tax, as laid out in the spending plans, will return the fire engine to full service at a relatively reasonable cost and put additional officers on patrol. He agreed it is expensive to accomplish this, but there is no other alternative. Council Member Johnson appreciated the Police Department's reconsideration of its initial proposal to ensure there will be more officers on the street instead of lieutenants and stressed the need to have fully-trained and qualified firefighters in the Fire Department. He stated that all three measures need to move forward, whether it is for 10 or 15 years or as a special or general tax.

Mayor Chandler stated he agrees that the voters should decide, stating he was less concerned about whether it was a special or general tax. He was, however, in support of separating the two measures, i.e. one for Parks and the other for public safety, so individuals can support their pet projects, making it more likely that one or the other will pass. Lodi Lake and the City's parks system is suffering from deferred maintenance; this will give the public the opportunity to decide if they want to protect these assets.

With regard to Cal-PERS, Mr. Schwabauer agreed that it is putting a significant strain on the City's general fund. In 2000, the City was paying zero for Cal-PERS and now the obligation continues to increase by significant amounts each year, increasing by as much as \$13 million in the year 2020/21 if the Cal-PERS actuary is correct. This equates to a significant amount of money that could have been applied to the parks system and public safety. It is possible to leave the Cal-PERS system, but that would only eliminate the Cal-PERS liability going forward, not backwards, and the City would be required to pay off 100 percent of the unfunded liability without the discounted rate. He explained that Stockton borrowed \$100 million to detach from Cal-PERS and is now upside down, due to Cal-PERS losses, and is now paying more than its earning on the discounted rate of Cal-PERS. Mr. Schwabauer stated options to reduce costs to accommodate the expenses in Parks and public safety could be researched, but these departments represent a significant portion of the City's budget and it would take reducing or eliminating much of everything else to come up with \$3 million a year in PRCS and Fire and pay the Cal-PERS liability. Another option is to reduce salaries, which City employees did once before, and, given what they gave back at that time, he believed it would be a difficult task to ask employees to do so again. He pointed out that employees may be asked in the future to help address the growing Cal-PERS obligation and asking them twice would be another hit. Mr. Schwabauer further mentioned that the Lodi Unified School District indicated it may have a bond measure in 2016, instead of 2018 as originally intended. The School District was also asked to invest greater in the Grape Bowl, which is why there is a low level of expenses in the spending plan for this facility.

In response to Mayor Chandler, Mr. Schwabauer stated he did not feel confident that the District was ready to move forward for the 2016 ballot.

Council Member Mounce stated that two ballot measures, one for property tax and the other for sales tax, on the same ballot would likely cause neither of them to be successful. Mr. Schwabauer agreed, stating he recommends Council continue to move forward and the item can be pulled at a later date if the School District decides to move forward in this election cycle.

In response to Mayor Chandler, Mr. Schwabauer stated this item will return to Council at its

Regular meeting of June 15 as an ordinance and staff will incorporate the suggestions brought forward by Council.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 7:55 a.m.

ATTEST:

Jennifer M. Ferraiolo
City Clerk