

**LODI CITY COUNCIL
SPECIAL CITY COUNCIL MEETING
CARNEGIE FORUM, 305 WEST PINE STREET
WEDNESDAY, JUNE 10, 2015**

A. Call to Order / Roll Call

The Special City Council meeting of June 10, 2015, was called to order by Mayor Johnson at 7:00 p.m.

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

Absent: Council Member Kuehne

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

B. Regular Calendar

B-1 Adopt Resolution Approving the City of Lodi Financial Plan and Budget for the Fiscal Year Beginning July 1, 2015 and Ending June 30, 2016 and Approving the Fiscal Year 2015/16 Appropriation Spending Limit (CM)

Deputy City Manager Jordan Ayers provided a PowerPoint presentation regarding the Fiscal Year 2015/16 budget. Specific topics of discussion included General Fund departments, General Fund balances, departmental funding, Police Department, Fire Department, Public Works Department, Administration Department, Internal Services Department, Non-Departmental budget, Capital Outlay, all funds, labor, positions, California Public Employees Retirement System (Cal-PERS) projections, and major capital projects.

In response to Mayor Pro Tempore Chandler, Mr. Ayers stated that the Cal-PERS obligation for the current year is built into the budget, but the future years' expectations do not have a designated reserve because it is reviewed on a year-by-year basis. City Manager Schwabauer explained that staff has reviewed the budget going forward over the next five years, including the projected Cal-PERS obligation, and staff believes the City will have adequate revenue to pay for its other obligations.

Council Member Mounce stated that new legislation requires the City to report Other Post Employment Benefits (OPEB) and unfunded liabilities, and she requested Mr. Ayers explain the new rule. Mr. Ayers stated that previously these unfunded liabilities were demonstrated as a footnote in the Comprehensive Annual Financial Report (CAFR); however, GASB 74 and 75 will require that the liability is shown on the balance sheet, which will make it appear there is a significant deficit due to the pension obligation in the \$90 million range and \$17 million for OPEB. In further response, Mr. Ayers stated the calculations are based on actuarial assumptions and experience.

In response to Council Member Nakanishi, Mr. Ayers stated that the balance sheet shows the net debts and assets, and this new required reporting will be on the face of the balance sheet, which will show equities in a deficit position.

Mayor Johnson questioned if the City has information on upcoming City-wide retirements for succession planning purposes, to which Mr. Ayers stated that staff knows and can plan from the perspective of how many years of service and ages of employees, but there are still unexpected retirements. Mr. Schwabauer added that there were a number of retirements pending in the Police Department; however, it appears that many of them will stay longer than originally anticipated.

In response to Mayor Johnson, Interim Police Chief Tod Patterson stated that the delay in

purchasing body cameras is due to creating a policy so there is full employee understanding of the expectations and to see what legislation will ultimately require. Police Captain David Griffin added that the primary issue involves the videos and when officers are permitted to watch: before or after writing a report. Pending litigation may dictate that officers cannot view the video until after the report is prepared. Additionally, staff is researching what the departmental costs will be for reviewing videos and making copies for court and trying to ascertain if a part-time or full-time staff person will be necessary.

In response to Council Member Mounce, Mr. Ayers confirmed that funding in the amount of \$20,000 for the spay and neuter program is in the Police Department budget, which is the same amount as the previous year.

In response to Mayor Johnson, Fire Chief Larry Rooney stated that the department recently hired six firefighters, but two did not pass the probationary period. There are four positions participating in the Stockton academy, which would bring the department up to full compliment.

In response to Council Member Mounce regarding community events, Mr. Ayers stated this fund primarily covers support for the Grape Festival for Police overtime costs with a reimbursement of \$25,000 from the Festival to the City to offset costs, as well as the Fireworks Task Force, which is fully reimbursed. In further response, Mr. Ayers stated that it has been approximately three years since the reimbursement amount with the Grape Festival has been renegotiated.

Council Member Mounce stated that \$21,000 is still listed for enterprise zone administration, but the program has been dissolved and this money should be allocated elsewhere. Business Development Manager Adam Brucker stated that he believed it was associated with the wind-down of the enterprise zone and the City's contribution to Worknet, but he would get a definitive answer prior to budget adoption.

Council Member Mounce questioned why there were contradicting figures for the non-departmental account between the draft budget document (\$9 million) and the presentation (\$7 million), to which Mr. Ayers explained that capital projects need to be added to the figure and the debt service needs to be offset.

In response to Council Member Nakanishi, Mr. Ayers stated that the City opts to show utility costs for City facilities in the non-departmental fund versus breaking down costs by building size and department, but organizations handle this in a variety of ways.

In response to Mayor Pro Tempore Chandler, Mr. Ayers stated that if the wayfinding signage program moved forward, Council would designate the funding source for the program. Staff initially intended the funding to come from the Street Fund.

In response to Council Member Nakanishi, Mr. Schwabauer stated that the \$3.6 million under non-departmental for Parks, Recreation, and Cultural Services (PRCS) is reflected in the PRCS budget as a credit.

In response to Council Member Mounce, Mr. Ayers explained that the transfers in and out of each of the funds are detailed on page 379 of the budget under the supplemental section.

In response to Council Member Mounce, Public Works Director Wally Sandelin stated that the animal shelter improvements included refurbishing the interior wall spaces in the main shelter to replace damage from rodent infestation.

In response to Mayor Johnson, Mr. Ayers stated that the financial, human resources, and payroll systems in the Tyler Program are up and running. The next phase will include animal licenses and business licenses, which will go live in August or September, followed by the utility billing implementation, which will likely be online in early December. The fleet management system, scheduled to go live in early January, will be the last component, after which staff will fine tune the system to best meet the City's needs. With regard to information technology replacements, the funding is geared toward replacing major infrastructure pieces, and he added that the new

Information Technology Manager will be reviewing what is in place and when each piece will need to be replaced.

Council Member Mounce questioned if staff has had an opportunity to utilize the League of California Cities financial program, to which Mr. Ayers responded that he has reviewed the basics of the program and entered historical information, but he has not yet entered the projections. The program builds off of the City's published CAFR, but because it delves deeper into the financials, it requires a significant amount of time to accomplish.

Mayor Johnson questioned if Cal-PERS has adjusted its methodology in order to react faster to market changes and be in a more offensive position. Mr. Ayers stated that Cal-PERS has an investment model and asset allocation model; it has toned down its aggressiveness of the asset allocation; and it has had decent returns; however, it has also stabilized the fund by passing on larger payments to its constituents.

In response to Council Member Nakanishi, Mr. Schwabauer stated that both Parks and Recreation and the Library are special revenue funds to instill fiscal discipline to ensure their revenues grow as their expenses grow. Prior to the non-departmental account, these funds were included in the general fund and, once pulled out of the general fund, there needed to be a place to put the general fund contribution into those programs. The non-departmental fund is a vehicle to show where the general fund contribution will be put to transfer those dollars.

Council Member Mounce stated there was merit for merging Parks and Recreation with the Community Center and that Parks, Recreation, and Cultural Services Director Jeff Hood changed these departments dramatically. She added that she would like to see the funding moved to the department and not run through non-departmental, even with the general fund contribution. Mr. Schwabauer stated that perhaps another fund can be created to demonstrate the contribution, and Mr. Ayers added that it could be called operating transfers to other departments, but it would in essence serve the same purpose.

Alex Aliferas stated there will be a pension reform initiative next year and encouraged Council to visit www.reformcalifornia.org to learn more. In response to Council Member Mounce, Mr. Aliferas stated that the initiative has been drafted and should be in circulation this year in time for the 2016 ballot. Mayor Johnson stated this initiative has a tough battle ahead because of the number of signatures needed to qualify, the issues surrounding one of the authors of the legislation, and other hot-topic issues on the 2016 ballot.

C. Adjournment

There being no further business to come before the City Council, the meeting was adjourned at 7:58 p.m.

ATTEST:

Jennifer M. Ferraiolo
City Clerk