



LODI CITY COUNCIL

Carnegie Forum
305 West Pine Street, Lodi

AGENDA – Shirtsleeve Session

Date: June 27, 2023

Time: 7:00 a.m.

For information regarding this Agenda please contact:

Olivia Nashed
City Clerk
Telephone: (209) 333-6702

Notice Regarding Public Comments

Public Comment may be submitted in the following ways:

- In-person
- Email – councilcomments@lodi.gov
 - Received no later than 4:30 p.m. on the business day prior to the meeting.
- Mail – City Clerk’s Office, P.O. Box 3006, Lodi, CA 95241
- Hand delivered to: City Clerk’s Office, 221 W. Pine Street, Lodi, CA 95240
 - Received no later than 4:30 p.m. on the business day prior to the meeting

Public comment received via email, mail, or hand delivery will be provided to the City Council and included in the official minutes record of the meeting, but will not be read aloud at the meeting.

A. Call to Order / Roll Call

B. Topics

B-1 Fiscal Year 2021/22 General Fund Balance in Excess of Reserve Requirement (CLK)

C. Comments by Public on Non-Agenda Items

THE TIME ALLOWED PER NON-AGENDA ITEM FOR COMMENTS MADE BY THE PUBLIC IS LIMITED TO FIVE MINUTES.

Public comment may only be made on matters within the Lodi City Council's jurisdiction (Government Code Section 54954.3, Lodi City Council Protocol Manual Section 6.3I). The Council cannot take action or deliberate on items that are not on this agenda unless there is an emergency and the need to take action on that emergency arose after this agenda was posted (Government Code Section 54954.2(b)(2)). All other items may only be referred for review to staff or placement on a future Council agenda.

If you wish to address the Council, please refer to the Notice at the beginning of this agenda. Individuals are limited to one appearance during this section of the Agenda.

D. Adjournment

Pursuant to Section 54954.2(a) of the Government Code of the State of California, this agenda was posted at least 72 hours in advance of the scheduled meeting at a public place freely accessible to the public 24 hours a day.

Olivia Nashed
City Clerk

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COUNCIL COMMUNICATION

AGENDA TITLE: Fiscal Year 2021/22 General Fund Balance in Excess of Reserve Requirement

MEETING DATE: June 27, 2023

PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: Receive update and discuss options for use of Fiscal Year 2021/22 General Fund balance in excess of reserve requirement.

BACKGROUND INFORMATION: The City of Lodi maintains a longstanding policy adopted with the budget requiring fund balance reserves for all operating funds. The Reserve Requirement for the General Fund is 16% of regularly occurring and repeating revenue in any given year.

City Council adopted a Pension Stabilization Policy (PSP) in 2017 that required all funds in excess of the Reserve Requirement be invested in the City's Pension Stabilization Fund (PSF) held at Public Agency Retirement Services (PARS) to be used for future pension payments. Other operating funds were required to invest an equal share relative to annual pension costs of the employees funded from those sources. Subsequent to the policy's adoption, the City has accrued nearly \$21 million in the PSF.

The annual reserve in excess of the Reserve Requirement for Fiscal Year 2021/22 is outside the scope envisioned by staff or Council at the time the PSP was adopted. This excess is referred to as "one time funds". As such, staff recommended temporarily suspending the PSP at the time the Fiscal Year 2023/24 budget was adopted to allow for Council to consider uses for the FY 2021/22 one time funds. Council approved the suspension and a revised PSP that set limits on the amount that is required for PARS investment in future years.

Staff is providing a presentation of potential options to consider allocation of the \$7,160,260 in FY 2021/22 one time funds. There are three options for Council consideration that vary based on how the PSP is applied to FY 2021/22. Upon approval of any option and allocation of the FY 2021/22 one time funds, staff recommends reinstating the PSP approved on June 7, 2023 for FY 2023/24 budget year.

OPTION 1: This option applies the original PSP that was in place during FY 2021/22 when the funds were accrued. It requires investment of the entire \$7.1 million towards pensions as was required under the previous PSP. This leaves Council with no funds to allocate towards projects.

OPTION 2: This option applies the formula adopted by Council on June 7, 2023 in the revised PSP. Applying this formula requires an approximately \$3.6 million pension investment and leaves Council approximately \$3.5 million to allocate to one time projects.

APPROVED: _____
Stephen Schwabauer, City Manager

OPTION 3: This option does not require application of the PSP. Council can apply a separate formula to allocate funds to pension or to allocate all \$7.1 million to non pension one time projects at Council discretion. In this option staff recommends allocation of an amount sufficient to fund the City's PARS account equal to 5% of the combined Safety and Miscellaneous liability as calculate by CalPERS in the June 30, 2021 actuarial reports.

In the presentation, staff has included a list of potential projects for funding. The list is a non inclusive list of City projects including deferred maintenance, financial obligations, strategic planning exercises and other strategic resources. It is not and it is not intended to be comprehensive of all needs of the City. The list was compiled by City department heads based on an understanding of City Council Strategic Imperatives and by City Council members after initial individual discussions with Staff of the available resources. Both Option 2 and 3 have a staff recommended list of projects to fund with the available resources after funding pensions labeled as 2-a and 3-a respectively. Council can elect to apply either pension funding strategy but fund alternative projects with the remaining resources. This is presented as 2-b and 3-b respectively.

FISCAL IMPACT:

There is no fiscal impact from the discussion. Staff recommends Funding one time projects that do not create ongoing obligations or expectations with this funding source as the revenue source is not repeatable. Actual allocations will first be considered on July 19, 2023.

FUNDING AVAILABLE:

Funding for the items presented is available in the City's General Fund reserves originating from Fiscal Year 2021/22 fund balance above the Reserve Requirement.

Andrew Keys
Deputy City Manager/Internal Services Director

Fiscal Year 2021/22 General Fund Balance in Excess of Reserve Requirement

Presented by Andrew Keys, Deputy City Manager



Background

- Longstanding City Council adopted budget and fiscal policies require a General Fund reserve equal to 16% of repeatable revenue in a given year.
 - The reserve is split into two equal parts for Catastrophic and Economic reserves.
 - One time revenues and associated expenditures (ie FEMA reimbursements, settlements, or large single sales tax receipts, etc.), bond proceeds, limited duration revenue (rental from Department of Water Resources) are not considered in the calculation.
 - Reserves restricted for or allocated to specific projects/purposes are also not factored (ie MicroLoan program, DIVCA, Pension Stabilization Fund, etc.).
- Council adopted a Pension Stabilization Policy (PSP) in 2017 requiring investment of funds in excess of 16% into City pension accounts at PARS or at PERS.
 - Until June 7, 2023, the policy required 100% of excess reserves be invested at PARS.
 - June 7, 2023 PSP adopted for FY 2023/24 made the following changes.
 - Maximum annual GF pension investment is 5% of GF revenues.
 - Investments are to be made at PARS until balance is equal to 5% of total CalPERS liability.
 - Additional amounts are to be invested in PERS as Additional Discretionary Payments (ADP).
 - Funds in excess of 21% are to be brought to Council for programming to various one time projects.
- Budget and Fiscal Policies were adopted on June 7 with the PSP suspended temporarily.



FY 2021/22 Available Resources

- \$7,160,260 is available for allocation.

Revenue	\$ 72,541,500
Fund Balance	\$ 18,766,900
16% Requirement	\$ 11,606,640
<i>Reserve Above Requirement</i>	<i>\$ 7,160,260</i>

- Per the FY 22/23 Pension Stabilization Policy, 100% of this amount was to be invested in PARS.



Revised Pension Stabilization Policy

- City Council considered and adopted a revised PSP on June 7 for Fiscal Year 2023/24.
- Applying the revised Policy to Fiscal Year 2021/22 reserves gives \$3.5 million available for allocation.

Revenue	\$ 72,541,500
Fund Balance	\$ 18,766,900
16% Requirement	\$ 11,606,640
<i>Reserve Above Requirement</i>	<i>\$ 7,160,260</i>
Pension Investment Required by Policy	\$ 3,627,075
<i>Available for Allocation</i>	<i>\$ 3,533,185</i>



Allocation Options

- The current PSP is suspended until Council takes action on FY 2021/22 reserves.
- Council has the following options:
 - OPTION 1:** Invest the entire \$7.1 million towards pensions as was required under the previous PSP. ***\$0 to allocate to one time projects.***
 - OPTION 2:** Apply the formulas from the FY 2023/24 PSP to invest in pensions with the excess available for Council consideration. ***\$3.5 million to allocate to one time projects.***
 - OPTION 3:** Apply a separate formula at Council discretion to allocate all \$7.1 million. ***Up to \$7.1 million to allocate to one time projects.***
- Staff recommends reinstating the PSP regardless of the option selected.
- Option 1 prioritizes Council Strategic Imperative 3 Fiscal Health, specifically milestone 3.E to improve pension funding.
- Should Council select Option 2 or 3, Council will be asked to allocate the additional one time funds to various projects.



Projects for Consideration

- Department Heads submitted projects for consideration based on immediate needs in their department.
 - All align with City Council strategic imperatives and the overwhelming majority represent deferred maintenance/funding needs.
- City staff met individually with Council to discuss this process, staff recommendations and seek input for additional projects to consider.
- The following tables show staff's recommendation for projects to fund and potential alternative projects for Council consideration.
- It is important to note this is a non comprehensive list of City deferred maintenance, capital and project needs.



Staff Recommendations – Option 1

- Option 1 invests all \$7.1 million into pensions and prioritize SI 3.E.
- The first dollars would be invested in PARS to reach the 5% of total liability target set by the PSP adopted on June 7.
- Additional dollars would be invested as ADP at CalPERS to buy down the total liability.
- Council would need to direct staff on how to treat non General Funds.
 - Per the PSP, non General Funds with the exception of Library and Parks, are required to fund PARS/ADP investments in relation to their share of total pension costs.
 - These funds have sufficient fund balance to support additional investment.



Staff Recommendations – Option 2.A

- Option 2.A leaves Council with \$3.5 million to allocate freely.
- This option honors the current PSP and prioritizes SI 3.E on pension funding utilizing over 50% of the funds towards pensions which are the largest liability the City has.

Total Available	\$	7,160,260
Pension Funding Per FY		
23/24 PSP	\$	3,627,075
<i>Available for Allocation</i>	\$	<i>3,533,185</i>



Staff Recommendations – Option 2.A

- Staff recommends the following projects with the remaining \$3.5 million to address Strategic Initiatives 1, 2, 3, 5 and 6.

<u>Project</u>	<u>Funded Amount</u>	<u>Council Imperative/ Milestone</u>
Extraordinary Litigation Costs	\$ 250,000	3.All
Hutchins Street Square Roof Phase II	\$ 2,500,000	5.C/6.C
Lodi Lake North Restroom Roof and Fire Damage Repair	\$ 283,000	5.C/6.B
Lodi Lake Fire Mitigation Tree Maintenance	\$ 250,000	5.C/5.B
Economic Development Strategic Plan	\$ 100,000	2.A
Skate Park Repair and 1 Year Bathrooms	\$ 95,000	5.C/6.C
Downtown Specific Plan * or Unallocated transfer to Parks Capital	\$ 55,185	1.All or 6
Total Allocation	\$ 3,533,185	



Alternative Option 2.B

- Council can elect Option 2 to follow the formulas in the newly adopted PSP and select alternative projects for the remaining \$3.5 million.
- A list of potential projects begins on slide 14 of this presentation after discussion of Option 3 alternatives.



Staff Recommendations – Option 3.A

- Option 3.A leaves Council with \$7.1 million to allocate freely.
- If Council selects this option Staff recommends prioritizing some funds to address SI 3.E on pension funding.
 - As of May 31, 2023, the City was approximately \$2.1 million short of the PARS ceiling of 5% of combined Safety and Miscellaneous liability adopted in the policy. The General Fund’s share is just shy of \$1.6 million.
 - Following this recommendation, Council would have approximately \$5.6 million to allocate freely.

Total Available	\$	7,160,260	
Pension Funding to reach 5% of PERS Liability*	\$	1,587,008	
<i>Available for Allocation*</i>	\$	5,573,252	

* Amount will change based on June 30, 2023, PARS statement.



Staff Recommendations – Option 3.A

- Staff recommends the following projects with the remaining \$5.6 million to address Strategic Initiatives 1, 2, 3, 5, 6 and 7.

<u>Project</u>	<u>Funded Amount</u>	<u>Council Imperative/ Milestone</u>
Extraordinary Litigation Costs	\$ 250,000	3.All
Hutchins Street Square Roof Phase II	\$ 2,500,000	5.C/6.C
Lodi Lake North Restroom Fire Damage Repair	\$ 283,000	5.C/6.B
Lodi Lake Fire Mitigation - Tree Maintenance	\$ 250,000	5.C/5.B
Economic Development Strategic Plan	\$ 100,000	2.A
Skate Park Repair and 1 Year Bathrooms	\$ 95,000	5.C/6.C
Downtown Specific Plan	\$ 750,000	1
PRCS Master Plan	\$ 150,000	6
White Slough Training Facility	\$ 1,195,252	7.B/2.D
Total Allocation	\$ 5,573,252	



Alternative Option 3.B

- Council can elect Option 3 to fund the PARS balance to 5% of the total PERS liability as outlined as one target in the newly adopted PSP and select alternative projects for the remaining approximately \$5.7 million.
- A list of potential projects begins on slide 14 of this presentation after discussion of Option 3 alternatives.



Alternate Projects for Consideration – 1. Downtown

Request	City Council Strategic Imperative/Milestone		Amount Requested
Historical Buildings Survey and Inventory	1.B		\$ 50,000
Downtown Business Alliance request for Downtown Aesthetic and Maintenance Funding	1.F		\$ 125,000
Decorative String Lighting on Downtown trees	1.F		\$ 150,000
Downtown Specific Plan	1.All	2.All and 4.B	\$ 750,000
		Total	\$ 1,075,000



Alternate Projects for Consideration – 2. Economic Development

Request	City Council Strategic Imperative/Milestone		Amount Requested	
Business Acceleration Grants	2.B	2.G	\$	100,000
Economic Development Strategic Plan	2.A		\$	100,000
		Total	\$	200,000



Alternate Projects for Consideration – 3. Fiscal Health

Request	City Council Strategic Imperative/Milestone		Amount Requested	
Extraordinary Litigation Costs	3.C		\$	250,000
Cost overages on new truck outfitting	3.D	7.F	\$	315,000
PERS Combined Safety and MISC UAL as of 6.30.21 Actuarial Reports*	3.E	3.C	\$	158,579,250
		Total	\$	159,144,250
<p>* As of May 31, 2023, the General Fund share to achieve 5% of total PERS liability invested at PARS is \$1,587,008. Per the FY 2023/24 PSP, the General Fund investment to pension funding would be \$3,627,075.</p>				



Alternate Projects for Consideration – 4. Housing

Request	City Council Strategic Imperative/Milestone		Amount Requested	
Housing Element Update	4.All	1.A	\$	1,500,000
Stockton Street & Main Street Properties – (Master Planning & Phased Improvements)	4.C	5.B	\$	1,000,000
Total			\$	2,500,000



Alternate Projects for Consideration – 5.C Infrastructure – Deferred Maintenance

Request	City Council Strategic Imperative/Milestone		Amount Requested
Central Ave and Hilborn St Alley Drainage Concern	5.C		\$ 300,000
Alley Resurfacing - South of Pine between Garfield and Central	5.C		\$ 300,000
Alley Resurfacing - South of Tokay between Garfield and Cherokee	5.C		\$ 300,000
HSS Parking Lot(s) Overlay Improvements and Tripping Hazards	5.C	6.C	\$ 1,100,000
Hutchins Street Square Roof Phase II	5.C	6.C	\$ 2,500,000
Hutchins Street Square Charlene Powers Lange Performing Arts Theatre Fire Curtain Infrastructure	5.C	6.C	\$ 30,000
Hutchins Street Square Interior Improvements	5.C	6.C	\$ 320,000
Hutchins Street Square Auto Shop Windows and outside improvements	5.C	6.C	\$ 30,000
Hutchins Street Square Booster Pump	5.C	6.C	\$ 28,000
Lodi Lake Fire Mitigation - Tree Maintenance	5.C		\$ 250,000
Lodi Lake North Restroom Roof and Fire Damage Repair	5.C	6.B	\$ 283,000
Softball Complex Parking Lot Reconstruction	5.C	6.C	\$ 1,000,000
Blakely Swim Complex Building Roof	5.C	6.C	\$ 100,000
Grape Bowl Field House Area Paving Improvements	5.C	6.C	\$ 1,000,000
Skatepark Repair and 1 Year Bathrooms	5.C	6.C	\$ 95,000
Replace aged carpet in police station	5.C		\$ 100,000
	Total Deferred Maintenance		\$ 7,736,000



Alternate Projects for Consideration – 5. Infrastructure

Request	City Council Strategic Imperative/Milestone		Amount Requested	
Security Camera at Tokay St/Central Av and Tokay St/Stockton St	5.A		\$	50,000
Upstairs Rehabilitation 315 W. Elm St. for Office Space	5.D	5.B	\$	1,500,000
Space Planning Master Plan for office and COED accommodations	5.D	5.B	\$	250,000
Total			\$	1,800,000
Total all Infrastructure			\$	9,536,000



Alternate Projects for Consideration – 6. Parks

Request	City Council Strategic Imperative/Milestone	Amount Requested
PRCS Master Plan	6	\$ 150,000
Hutchins Street Square Security Cameras	6.C	\$ 64,000
Hutchins Street Square External Digital Marquee Sign	6.C	\$ 50,000
Salas Park – Sports Lighting Phase II	6.C	\$ 1,000,000
Skatepark - Planning	6.C	\$ 175,000
New Skatepark - existing location	6.C	5.C \$ 2,380,000
New Skatepark - new location	6.C	5.C \$ 4,885,000
		Total \$ 8,704,000



Alternate Projects for Consideration – 7. Safety

Request	City Council Strategic Imperative/Milestone		Amount Requested	
Explosive Ordinance Disposal Robot	7.A	3.D	\$	250,000
White Slough Training Facility	7.B	2.D	\$	8,600,000
Lucas Device	7.C		\$	50,000
Standards of Cover	7.F	7.D	\$	30,000
Radar Trailers	7.H	3.D	\$	18,000
Total			\$	8,948,000



Alternate Projects for Consideration – 8. Public Well Being

Request	City Council Strategic Imperative/Milestone		Amount Requested	
Local Non Profit Grant Program	8		\$	200,000
WOW Museum Hazardous Waste Disposal	8.B	1.F	\$	66,050
		Total	\$	266,050



Questions?

