

**LODI CITY COUNCIL  
REGULAR CITY COUNCIL MEETING  
CARNEGIE FORUM, 305 WEST PINE STREET  
WEDNESDAY, JANUARY 15, 2003**

**C-1 CALL TO ORDER / ROLL CALL**

The City Council Closed Session meeting of January 15, 2003, was called to order by Mayor Hitchcock at 6:02 p.m.

Present: Council Members – Beckman, Hansen, Howard, Land, and Mayor Hitchcock

Absent: Council Members – None

Also Present: City Manager Flynn, City Attorney Hays, and City Clerk Blackston

**C-2 ANNOUNCEMENT OF CLOSED SESSION**

a) Review of Council Appointees – City Manager, City Attorney, and City Clerk (Government Code §54957)

b) Conference with Legal Counsel; existing litigation (Subdivision (a) of Government Code §54956.9); *Thomas Rogers et al. v. County of San Joaquin, City of Lodi, Dennis Lewis, et al.*, United States District Court for the Eastern District of California Case Number CIV.S-0201961 DFL JFM

**C-3 ADJOURN TO CLOSED SESSION**

At 6:02 p.m., Mayor Hitchcock adjourned the meeting to a Closed Session to discuss the above matters.

The Closed Session adjourned at 6:53 p.m.

**C-4 RETURN TO OPEN SESSION / DISCLOSURE OF ACTION**

At 7:01 p.m., Mayor Hitchcock reconvened the City Council meeting, and City Attorney Hays disclosed the following actions.

NOTE: The items were heard out of order as listed below.

In regard to Item C-2 (b), a report was given to Council regarding case number CIV.S-0201961 DFL JFM. No action was taken or requested.

In regard to Item C-2 (a), the Council and staff reviewed the procedure to be undertaken regarding the review of the City Manager, City Attorney, and City Clerk. The City Clerk was directed to prepare a calendar to begin the process of appointee evaluations.

**A. CALL TO ORDER / ROLL CALL**

The Regular City Council meeting of January 15, 2003, was called to order by Mayor Hitchcock at 7:01 p.m.

Present: Council Members – Beckman, Hansen, Howard, Land, and Mayor Hitchcock

Absent: Council Members – None

Also Present: City Manager Flynn, City Attorney Hays, and City Clerk Blackston

**B. INVOCATION**

The invocation was given by Pastor Bruce Logue, Ham Lane Church of Christ.

**C. PLEDGE OF ALLEGIANCE**

The Pledge of Allegiance was led by Boy Scout Troop No. 291

**D. AWARDS / PROCLAMATIONS / PRESENTATIONS**

D-1 Awards – None

- D-2 (a) Mayor Hitchcock presented a proclamation to Boy Scout Leader Rich Kotowski and Boy Scouts from Troop No. 291 proclaiming the month of February 2003, as "National Boy Scout Month" in the City of Lodi.
- D-2 (b) Mayor Hitchcock presented a proclamation to Police Chief Jerry Adams and Teresa Miller, Lodi Area Crime Stoppers President, proclaiming the month of January 2003, as "Crime Stoppers Month" in the City of Lodi.
- D-2 (c) Mayor Hitchcock presented a proclamation to Scott Edward, Director of Editing with the Delta Blood Bank, proclaiming the month of January 2003, as "National Volunteer Blood Donor Month" in the City of Lodi.
- D-3 (a) Following comments and introduction by Fire Chief Pretz, Dave Anderson of LN Curtis and Sons, representing Bullard Thermal Imaging Company, gave a presentation regarding the Save-A-Life Club. Mr. Anderson called forward Mike Harden and Mike Woznick with the Lodi Fire Department who explained the details in which a life was saved utilizing the thermal imaging camera. Mr. Anderson presented both with a T-shirt, hat, and certificate and presented T-shirts to the current sitting Council Members who were present during the original purchase of the equipment, as well as Fire Chief Pretz. Chief Pretz introduced Battalion Chief Jeff Larson who presented patches to those personnel present at the fire. Mr. Anderson then presented Chief Pretz with a plaque and certificate. Mayor Hitchcock presented Certificates of Recognition to members of The "B" Shift from Fire Stations 1, 2, 3, and 4.
- D-3 (b) Mary Goad, member of the Greater Lodi Area Youth Commission, acknowledged the Teen of the Month, Poline Chhun from Bear Creek High School, and updated Council on the activities of the Commission.

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E. CONSENT CALENDAR

In accordance with the report and recommendation of the City Manager, Council, on motion of Council Member Land, Beckman second, unanimously approved the following items hereinafter set forth **except those otherwise noted**:

- E-1 Claims were approved in the amount of \$1,690,692.67.
- E-2 "Approve minutes: a) December 18, 2002 (Regular Meeting)" was **removed from the Consent Calendar and discussed and acted upon under the Regular Calendar.**
- E-3 "Authorize the City Manager to enter into an agreement with CBA for the preparation of an update to the City of Lodi Housing Element and associated Environmental Impact Report (\$127,200)" was **removed from the Consent Calendar and discussed and acted upon under the Regular Calendar.**
- E-4 "Set public hearing for February 5, 2003, to consider an appeal from Leonel and Maria Tamez regarding Notice and Order to Repair issued for their property located at 820 S. Church Street" was **pulled from the agenda pursuant to a written request from the appellant to withdraw the appeal.**

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F. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

None.

G. PUBLIC HEARINGS

- G-1 Notice thereof having been published according to law, an affidavit of which publication is on file in the office of the City Clerk, Mayor Hitchcock called for the public hearing to consider appeal from Neumiller & Beardslee, on behalf of Legends Unlimited, regarding the Planning Commission's decision to revoke Use Permit No. 99-02 for Legends Unlimited.

Community Development Director Bartlam recalled that a request to continue this matter had been brought to Council in December. On behalf of the applicants, Legends Unlimited, staff is asking that the matter be continued to February 19. He reported that the business is being sold to a local restaurateur that has two other restaurants in Lodi. The transfer of the liquor license has not yet occurred. The applicant, the purchaser of the business, and the State Department of Alcoholic Beverage Control all anticipate that the final transaction should take place within days. Mr. Bartlam noted that Legends Unlimited has been closed during this time.

MOTION / VOTE:

The City Council, on motion of Council Member Land, Beckman second, unanimously continued the public hearing to consider the appeal regarding the Planning Commission's decision to revoke Use Permit No. 99-02 for Legends Unlimited to February 19, 2003.

H. COMMUNICATIONS

H-1 Claims filed against the City of Lodi – None

H-2 Reports: Boards/Commissions/Task Forces/Committees – None

H-3 Appointments

a) "Reappointments to the Lodi Senior Citizens Commission and the Recreation Commission"

Mayor Hitchcock reported that another member of the Lodi Senior Citizens Commission has recently resigned; therefore, the vacancy will be posted and a recommendation to fill *two* vacancies will occur at a later date.

Mayor Hitchcock explained that if current members seek reappointment who have been actively involved and had good attendance, she favored reappointment. She believed that a job well done deserves reward and there is little substitute for experience. In answer to Mayor Pro Tempore Howard, Ms. Hitchcock reported that ten applications were received.

Mayor Pro Tempore Howard suggested that a balance could be made between reappointments and allowing newcomers to participate on boards and commissions. She noted that in this case all three vacancies are being filled by reappointments, though there were seven others who expressed an interest.

MOTION:

Council Member Land made a motion, Beckman second, to make the following reappointments:

Recreation Commission

Bob Johnson	Term to expire December 31, 2006
Ken Sasaki	Term to expire December 31, 2006
Ed Wall, Jr.	Term to expire December 31, 2006

DISCUSSION:

Mayor Pro Tempore Howard explained that she would vote against the motion as she felt strongly that at least one new person should be allowed to participate when there is such strong interest.

VOTE:

The above motion carried by the following vote:

Ayes: Council Members – Beckman, Land, and Mayor Hitchcock

Noes: Council Members – Hansen and Howard

Absent: Council Members – None

Mayor Pro Tempore Howard asked whether Council could obtain a list of the applicants for board and commission vacancies in the future.

Mayor Hitchcock replied that the number of applications received could be included in the staff report at the time recommendations for appointments are made.

H-4 Miscellaneous

- a) City Clerk Blackston presented the cumulative Monthly Protocol Account Report through December 31, 2002.
- b) "Appropriate expenditure of \$3,912.56 from the current Protocol Account for expenses incurred at the League of California Cities Central Valley Division quarterly dinner meeting held in September 1999"

MOTION:

Council Member Land made a motion, Howard second, to appropriate expenditure of \$3,912.56 from the current Protocol Account for expenses incurred at the League of California Cities Central Valley Division quarterly dinner meeting held in September 1999.

DISCUSSION:

Council Member Beckman questioned why this matter is coming forward three years after the fact.

City Manager Flynn reported that only a few weeks ago Management Analyst II Janet Hamilton brought this to his attention after reviewing a report of small accounts that were still open.

Mayor Hitchcock explained that Lodi hosts a League of California Cities Central Valley Division (CVD) dinner meeting approximately every three years. An attempt is made to cover costs with the fee charged to attendees; however, it is not uncommon that expenses are accrued above revenues received. She reported that Farmers and Merchants Bank contributed \$1,000 toward the CVD dinner held in Lodi last week, and Debbie Olson, who coordinated the event, was able to obtain a donation from Lodi Nut Company, as well as discounted prices for wine.

VOTE:

The above motion carried by a unanimous vote.

I. REGULAR CALENDAR

- I-1 "Adopt resolution accepting Lodi Area All Veterans Plaza donation of improvements; and receive quarterly payment"

Cynthia Haynes, President of the Lodi Area Veterans Plaza Foundation, stated that the Foundation would like to donate the physical improvements that were made on the property to the west of City Hall. She reported that construction on the Plaza began on November 11, 2001, and was completed on May 22, 2002. The Foundation received a loan from the City in the amount of \$450,000 and made a commitment to repay the loan in increments of \$10,000 per quarter once construction was completed.

Ms. Haynes reminded Council that the four elements of the Plaza represent the following:

- Obelisk – honor and courage
- Sphere – unity and global service
- Flame – valor and sacrifice
- Water – healing

Ms. Haynes presented a check to the City in the amount of \$10,000 and noted that it was the third payment from the Foundation. She reported that Frontier Community Builders gave the Foundation a check in the amount of \$10,000 last week. Over \$8,500 was received from a raffle of the jeep that the Stanley Kirst family donated last May. Over \$8,700 was contributed toward the Plaza from participants of the Vic Meyer Sheet Metal Company annual Harvest Day Celebration.

NOTE: The following motion and vote was taken at the conclusion of the discussion of Regular Calendar Item I-2.

MOTION/ VOTE:

The City Council, on motion of Council Member Land, Howard second, unanimously adopted Resolution No. 2003-07 accepting the Lodi Area All Veterans Plaza donation of improvements; and further received the quarterly payment in the amount of \$10,000 toward the \$450,000 loan to the foundation.

I-2 "League of California Cities Grassroots Network Update"

Debbie Olson, Regional Representative for the League of California Cities (LCC), explained that the League is an association of city officials who work together to exchange information and share resources so that they may influence policies that affect cities. The LCC is the leading advocate for cities in the state of California. All 478 cities are dues paying members of the LCC. Ms. Olson stated that she is the regional representative for the Central Valley, which encompasses 26 cities from Galt to Chowchilla. In reference to the State budget, Ms. Olson reported that the LCC estimates that if the Vehicle License Fee (VLF) is cut, Lodi stands to lose more than \$3.3 million in the next 18 months. She reported that in the Governor's proposal, local governments will pay approximately one-third of the budget bailout. Ms. Olson reported that when the VLF offset, or backfill, was authorized in the 1990s, legislators on both sides agreed that the fee would return to higher levels when insufficient monies were unavailable in the general fund. The LCC believes that increasing the VLF is consistent with existing law and is the right thing to do to protect critical local services. Accordingly, the LCC is asking Lodi and other cities to review and take action on a resolution, as well as to join LOCAL (Leave Our Community Assets Local), a coalition of over 300 members that began last year.

Mayor Hitchcock thanked Ms. Olson for her work in coordinating the January 9 Central Valley Division dinner meeting.

In reply to Council Member Hansen, Ms. Olson reported that according to an LCC poll there has been an erosion in the confidence of the public toward state and local officials. The three goals that the LCC board has identified for 2003 are: 1) protecting local revenues; 2) affordable housing; and 3) improving ethics and the public's perception of government. She recommended that citizens who wish to get involved visit the LCC website, which has templates for letters on a variety of key issues that can be forwarded to legislators.

Addressing the Mayor and City Manager, Council Member Hansen suggested a press release be prepared letting citizens know how they can get involved and include the LCC website address. In addition, he recommended that information be dispersed through speaking engagements at service clubs in the community.

City Manager Flynn stated that the primary source of the State's revenue for the general fund is income tax. The State has suffered a huge loss in income tax, which is attributable to the loss of jobs in the high-tech industries located in the Bay area and southern California. He reported that Lodi gave up \$20 million over the last eight years in Educational Revenue Augmentation Fund (ERAF) dollars to support schools. Schools were able to get money from the State's general fund increase that occurred; however, cities received nothing. Mr. Flynn pointed out that now that the State has a budget deficit it wants cities to accept more financial burden, and what the cities do not pay, schools will. He stated that Lodi spends 43% of its general fund revenues for police and fire services.

In contrast, he noted that the city of Stockton spends 73% and stated that the higher the percentage, the more likely the loss of VLF funds will affect the city's police and fire services. Mr. Flynn reported that he has briefed representatives of each bargaining group and the police department on the implications of the Governor's budget proposal.

MOTION / VOTE:

No Council action was necessary on this matter.

I-3 "Receive reports related to the financial audit for Fiscal Year 2001/02"

Finance Director McAthie introduced Steven DeVetter, Partner with KPMG.

Mr. DeVetter stated that the audit went well. Cooperation was received from management, and KPMG has issued its standard clean unqualified audit opinion. He explained that the audit was planned and performed to provide reasonable assurance that the City's financial report is free of material misstatements. KPMG does not look at every transaction, but does look at samples and the accounting policies that are applied. Estimates were reviewed as part of the audit process and were found to be reasonable in relation to the overall financial statement. There were no audit differences that gave KPMG concern over the City's internal financial reporting process. There were no disagreements with management on accounting policies or transactions. Also included was a 'single audit', which is an audit of the City's federal funds.

In reference to the financial statement, Mr. DeVetter stated that the general fund, fund balance decreased approximately \$800,000 last year. The amount in the general fund represents 10% of the City's operating expenses. In the Electric Utility, the cost went up significantly and the fund balance went down. A footnote was added that identifies subsequent events, the most significant of which was the cancellation and payoff of the City's energy contract. Mr. DeVetter noted that it will not be recorded until next year's financial statements.

In reply to Council Member Land, City Manager Flynn reported that KPMG has been conducting audits for Lodi for the past 8 to 10 years. Council Members Land, Hansen, and Beckman spoke in favor of seeking Request for Proposals prior to the next audit process.

In answer to questions posed by Council Member Land, Ms. McAthie explained that the estimated reserves of 10% (as of June 30) was prior to discussions regarding whether or not to include the Market Cost Adjustment (MCA) in the transfer to the general fund. The quote of 13% was after the decision was made to make the transfer, and subsequent to the audit. In reference to Comprehensive Annual Financial Report (filed) page xii, item 5, sale of City property, Ms. McAthie explained that the \$907,000 figure included: 1) \$886,000 for property at 600 South Guild Avenue; 2) \$150,000 from the Old Lodi Union High School Site Foundation for Hutchins Street Square; 3) \$10,000 from the Veterans Foundation for the Plaza; and 4) \$70,000 from the private sector fund.

Council Member Land referenced page 18, Property Taxes, and suggested that staff consider whether there would be an advantage for the City to renegotiate with the County on the Teeter Plan.

Addressing Mr. DeVetter, Council Member Hansen asked whether he believed the City's financial and fiscal practices were sound, to which Mr. DeVetter answered in the affirmative.

At the request of Mayor Pro Tempore Howard, Mr. DeVetter explained that there was nothing found that was noncompliant with laws and regulations; however, a recommendation was made to retain the Federal Transit Administration (FTA) grant reports for the purpose of maintaining a good audit trail. In addition, a recommendation was made to enhance internal controls by sub-testing the subcontractor certifications regarding payroll to ensure that they are complying with the rules.

Ms. McAthie explained that the FTA issue was due to a changeover in staff. As a precautionary measure it was decided that in the future, backup copies of the reports would be sent to the Accounting Division of the Finance Department. The Public Works Director and a representative of the Finance Department will conduct periodic testing on subcontractor certification related to payroll, as recommended for internal control purposes.

In reference to earlier comments related to the length of time KPMG has been conducting audits for Lodi, Mr. Flynn indicated that eight years ago the Council decided that five years was a reasonable period of time with any one audit firm. In 1993-94, 7 to 11 firms responded to the City's RFP. There were no responses the last time an RFP was issued, so an agreement was made with KPMG to change the partner and auditors assigned to conduct Lodi's annual audit.

Mr. DeVetter noted that in 1994 there were eight large audit firms and now there are only four. He explained that two to three years ago many firms stopped auditing for government agencies because there were lucrative opportunities in the 'dot com' industries in the Bay area.

Ms. McAthie pointed out that it is also important to have an auditing firm that understands Electric Utility.

Referencing page xi, Risk Management, Mayor Hitchcock read, "The Claims and Benefits Fund had a deficit of \$1,552,940. The City plans to implement the deficit reduction plan recommended by an actuary to gradually eliminate the deficit in the Internal Service Fund."

Mr. DeVetter explained that this refers to incidences that have occurred through June 30, 2002, which the City will settle in the future. The amount listed is the City's best estimate, with the help of an actuary, on the cost of settling the claims.

Mayor Hitchcock asked whether the City should allocate more in the next budget to eliminate the deficit.

Mr. DeVetter replied that the most conservative position would be to fully fund it and balance the budget from an accrual basis, setting aside reserves for all the cases that will be settled in the future. He noted, however, that it is not unusual not to fully fund it because there is not an immediate cash flow issue.

Referencing page 21, General Long-Term Obligations, Compensated Absences, Mayor Hitchcock asked for clarification on the \$6 million figure.

Mr. DeVetter explained that if the City laid off its entire workforce it would have to pay out sick leave and vacation time. It is the accrual basis way of acknowledging that the City has commitments to its current employees beyond salary.

Ruby Paiste, Accounting Manager, stated that if an employee retires at age 50 and has ten years of experience, they can convert their sick leave balance into a bank or a sick leave conversion to pay for medical premiums.

In answer to questions posed by Mayor Hitchcock, the following was reported:

- Mr. Flynn explained that the Fair Labor Standards Act allows employees to accrue leave up to a certain level. The City allows one year's worth of leave to be accrued, beyond which, if not used, is lost.
- Mr. DeVetter confirmed that in the general fund the City's expenses were \$881,756 greater than revenues.
- Ms. McAthie explained that it was due to not transferring the MCA, as she had mistakenly believed that Council had voted against it.

- Mr. Flynn stated that the City actually gained \$1.7 million last year.
- Mr. DeVetter agreed and explained that a \$2.6 million deficit was budgeted, yet it was only \$881,756.
- Mr. Flynn noted that the \$2.6 million figure was in reference to a draw down of funds.
- Ms. Paiste stated that approximately \$2.6 million was drawn from the beginning balance and the fund balance. In the budget, \$1.3 million was projected and it came out to approximately \$3.1 million at the end of the fiscal year. She reported that the actual draw down was only \$881,756. To explain the \$2.6 million, Ms. Paiste made reference to grants that are projected during the year and are not part of the budget.
- Mr. Flynn added that one of the issues that came up last year was an increase in medical costs. Addressing Mayor Hitchcock he stated that it would have been helpful to know in advance what questions she had so that a response could have been prepared. He suggested that staff get the information and explain the \$2.6 million figure at Council's next meeting. He believed that it was related to increased medical costs that were not anticipated.
- Mr. DeVetter confirmed that in 1992-93 the City's total debt was \$11.5 million and it has increased to \$101.6 million. He explained that the purpose of the audit is to let external users know whether they can trust the financial statement. Auditors do not do a financial analysis to determine whether an organization is healthy.

Council Member Hansen asked whether the increase in bond debt was tied to Electric Utility.

Mr. Flynn explained that \$27 million is general fund debt and the remainder is the Electric fund. The first time the general fund entered the debt arena was during 1995 through 1997, which was related to Hutchins Street Square. In 2002, the City refinanced the \$10 million into a total package, which resulted in a debt of \$27 million. The debt service is \$1.2 million a year. This equates to 3.75% of the revenues for the general fund and is well below the standard set by many agencies in terms of evaluating the debt of a public agency.

Council Member Hansen reported that he recently attended a League of California Cities conference, at which they recommended that a City at times go up to 15%, but should keep it around 10%.

MOTION / VOTE:

No Council action was taken or necessary on this matter.

RECESS

At 9:30 p.m., Mayor Hitchcock called for a recess, and the City Council meeting reconvened at 9:45 p.m.

I. REGULAR CALENDAR (Continued)

- I-4 "Review and adopt resolution approving fiscal policies and budget format for the 2003/05 Financial Plan and Budget"

Finance Director McAthie stated that the budget format and policies are the foundation of the financial plan and budget. She reported that the City Manager holds numerous meetings with staff at which the budget calendar, instructions, and forms are issued and staff reviews budget policies for any recommended changes, additions, and deletions. Public meetings are held to discuss the policies and Council goals and objectives. The budget format was discussed at the November 19 Shirtsleeve Session. The City Manager is recommending that Council formally adopt the budget format and budget policies. Ms. Keeter explained that during the development of the budget a great deal of analysis is going on behind the scenes. To assist in estimating revenues, Finance staff

works closely with PFM the City's financial advisor, Hinderliter del Lamas and Associates (HdL), the City's tax consultant, the County Tax Collector, the State Treasurer, and other Finance Directors. The debt service schedules are also reviewed and updated. Public meetings are held to review the estimated revenue and the City Manager's recommendations for the operating budget, significant expenditures, staffing changes, and capital budget requests. The budget release date is scheduled for May 7. Staff will introduce and discuss the highlights of the draft budget at the June 4 Council meeting. A special Council meeting is scheduled for June 5, and the adoption of the 2003-05 financial plan and budget is scheduled for June 18.

Ms. McAthie recalled that in 1994-96 the Council adopted its first two-year budget format. It included policies that established the foundation and is used as a guide for City budget decisions. In December 2001, Fitch issued Lodi an A+ rating on the 2002 Certificates of Participation.

Ms. McAthie presented the following information related to the major budget policies:

- A financial plan organization – the use of a two-year budget format, which emphasizes long-range planning and effective management of services. Concentrates on the development and budget for significant objectives and provides for orderly and structured operations.
- Budget administration – outlines the responsibilities and the need for a continuing resolution authority if Council fails to adopt a budget by July 1.
- Revenue management – this area addresses items such as the cost recovery goal of 30% for Parks and Recreation and community center programs, with ongoing review and comparability to other communities.
- Property tax allocation – the City sets aside 50% of the property tax to the general fund, 30% to the capital outlay, and 20% to the library.
- The enterprise fund allocations to the general fund in lieu of taxes levied are based on 12% of prior year revenues.
- Grants and donations that contain restrictions that may have an impact on the budget must be approved by Council.
- The Community Development Block Grant (CDBG) policy outlines the uses and objectives for allocation of those policies and funds.
- Fund balance reserves – the current policy is a target of 15% of operating expenditures to maintain the City's credit worthiness and to provide for economic uncertainties or contingencies for unforeseen operations or capital needs.
- Investment – incorporates the City's investment policy into this document.
- Capital financing – lists the criteria for determining whether to "pay as you go" or consider long-term financing.
- Capital improvement – outlines the six stages that capital improvements go through.
- Human Resources policy – to fully budget any regularly authorized position, i.e. filled positions are budgeted at E step and vacant positions are budgeted at A step.
- Contracting for services.
- Allocating the cost of services – the cost of general government services will be financed by operating transfers in accordance with accepted cost allocation method.
- Carryover policy – to allow for efficiencies and the length of time it takes to do projects; the unencumbered funds can be carried over from the first year into the second year of a budget with the City Manager's approval.
- Fleet policy – governs the management, operation, acquisition, and disposition of vehicles and equipment.

Ms. McAthie reviewed the budget calendar, which was distributed to Council as a "blue Sheet" (filed).

Council Member Hansen questioned how revenues will be estimated considering the State's budget uncertainty.

City Manager Flynn replied that an estimate will be made as accurately as possible for each of the revenues, with a corresponding line indicating potential state reductions. He has asked department heads to submit their budget requests according to what they believe they will need; however, he will recommend to Council that no new programs or services be implemented unless there is revenue tied to it. In addition, he will recommend that capital projects be deferred for one year.

Council Member Hansen recalled that at a previous meeting the City Manager indicated that he had instituted a hiring chill, and, at that time, Mr. Hansen suggested that a hiring freeze be considered.

City Manager Flynn pointed out that Electric, Water, and Sewer are not affected by the Vehicle License Fee issue, so those positions and activities are separated from the general fund. He stated that there is normally a hiring lag, and it will be lengthened by slowing down the recruiting process.

Discussion ensued regarding when to schedule the meeting to consider Council goals and objectives. The Shirtsleeve Session of January 21 was selected by Council concurrence.

Mayor Hitchcock noted that this is the first time staff has brought forward a request for Council to adopt a resolution to approve fiscal policies and the budget format. She was opposed to doing so, as it would not allow the flexibility that may be desired, particularly in light of the State's budget deficit and resulting uncertainties for cities.

Council Member Land stated that the Council needs to move forward and have a budget so it can plan for the future. If in September or October the State funding cuts to cities are more significant than anticipated at this time, the Council will be quick to react and find ways to revise the budget. He commented that Mayor Hitchcock has never fully supported a City budget. He explained that staff is looking for direction on how to put the budget together and feel certain that what they are doing is what the Council wants.

Mayor Hitchcock stated that she has not voted in favor of the budgets in the past because she was opposed to the ongoing debt against the general fund. She pointed out that this evening it was reported that there was an increase in debt of \$103 million and currently there is \$26 million against the general fund; whereas, in 1992 there was \$1 million against the general fund. She explained that her concern is the City's debt, not the budget policies.

Council Member Land asked that the resolution on this item be amended as follows:

*"Now, therefore, be it resolved, that the Lodi City Council does hereby review and adopt the fiscal policies and budget format for the 2003-05 Financial Plan and budget **as outlined in Exhibit A.**"*

Mr. Flynn stated that Mayor Hitchcock voted in favor the debt the City has incurred. She supported the debt incurred for the public safety building and Electric Utility.

Mayor Hitchcock countered that she did not vote in favor of all of the projects that have created debt. She explained that she voted in favor of the public safety building only after revenues increased to a level that she felt the City could afford it.

Council Member Beckman noted that because of the financial insecurity due to the State's budget deficit, it is important to arrive at a consensus and give staff direction on the budget policies.

Addressing Mayor Hitchcock, Council Member Land recalled that she had led and encouraged the largest debt financing in the history of Lodi, i.e. the \$43 million bond for Electric Utility.

MOTION:

Council Member Land made a motion, Beckman second, to adopt Resolution No. 2003-08 approving the fiscal policies and budget format for the 2003/05 Financial Plan and Budget, including the amended language to the resolution, which states "as outlined in Exhibit A."

DISCUSSION:

Mayor Hitchcock asked whether the motion included the Market Cost Adjustment (MCA) as part of the revenue.

Council Member Land stated that he was not in favor of the MCA being part of the 12%; however, he believed the issue could be addressed during future discussion when the budget is presented.

Mayor Hitchcock asked for confirmation for the record that the MCA is not part of the 12%.

Council Member Land stated that he was not adding the language as part of his motion.

City Manager Flynn corrected Mr. Land, noting that the issue of revenue is addressed in the "Fiscal Policies and Budget Format for the 2003-05 Financial Plan and Budget" document.

Mayor Hitchcock replied that the MCA *would* then be part of the 12%.

Council Member Land confirmed the Mayor's statement by answering in the affirmative.

VOTE:

The motion carried by the following vote:

Ayes: Council Members – Beckman, Hansen, Howard, and Land

Noes: Council Members – Mayor Hitchcock

Absent: Council Members – None

- I-5 "Update and obtain Council direction to continue negotiations with the railroads on the alternative project proposed by the railroads to implement the Lodi Central City Railroad Safety Improvement Project"

Public Works Director Prima reported that progress had been made on one of Council's highest priority projects, i.e. the Lodi Avenue railroad tracks, after nearly a year of negotiations with the Union Pacific (UP) railroad, the Burlington Northern Santa Fe railroad, and the Central California Traction (CCT) company. The negotiations resulted in a memorandum of understanding that called for a project that would be funded by the City using its Measure K allocation. The goal was to get rid of the railroad tracks on Lodi Avenue and to maintain the interconnectivity between the UP and CCT tracks. The City proposed to reactivate the old Kentucky House Branch line that runs along Lockeford Street and Victor Road. There would be a new track connection built, the tracks rehabbed, the crossings improved, and an interchange yard built along the UP mainline north of Lockeford Street. That interchange would allow UP to drop off rail cars for CCT. CCT would then run along the Kentucky House Branch, pick up rail cars, and take them back to the Lodi industries for shipping purposes. At the conclusion of the negotiations

the agreement provided for an alternative, which is referenced in section 7 of the memorandum of understanding (filed). The cost of rehabbing the Kentucky House Branch and doing various other improvements to the railroad was in excess of \$7 million. A key negotiating point was that there would be no charge to the City to move the utilities. The agreement was approved late in the year and the tracks on Lodi Avenue were paved over. The railroad has communicated that they would like to pursue the alternative with the City. Mr. Prima explained that the alternative was that rather than reactivate the Kentucky House Branch and run traffic back and forth across the city, that it be considered to upgrade the CCT tracks between Stockton and Lodi so they could carry the kind of traffic that CCT and their owners, UP and Burlington Northern, would likely be able to handle. The railroad suggested that it might be to everyone's benefit to spend the money that was put into the Kentucky House Branch, on the CCT mainline between Stockton and Lodi. Mr. Prima stated that staff agrees with this suggestion. It is staff's desire not to have an abandoned corridor, and, in exchange for the modification, Mr. Prima believed that the City should increase the right of way request. He explained that a better job could then be done in widening Victor Road and possibly adding a pedestrian and bike trail on the two-mile stretch. Mr. Prima reported that the agreement provides that the City pay for the right of way to build the track connection, which at the time was estimated at \$50,000. In addition, approximately \$500,000 is needed for design of the improvements. This would be over and above the \$6.694 million allocated from the San Joaquin Council of Governments (SJCOG) for the project. The railroad is asking to increase the amount to \$7 million, based on the savings to the City of not having to do the design work. Mr. Prima noted, however, that work related to the tracks on Lodi Avenue is in the process of being designed now. He explained that in order to remove the CCT track across Cherokee Lane and Beckman Road and eliminate the Beckman Road crossing, a reconfiguration of tracks needs to be done. He asked Council for direction on whether or not to pursue the alternative project and continue negotiations with the railroad.

Mayor Pro Tempore Howard voiced support for pursuing the alternative project. She stated that the configuration with the CCT line between Lodi and Stockton provides for the transfer of goods and services and has the added benefit of removing the tracks from the downtown area of Lodi.

Council Member Hansen concurred with Ms. Howard.

In response to questions posed by Council Member Hansen, Mr. Prima reported that the way the agreement is written now the City is obligated to pay up to \$6.694 million toward the project. The state budget is seriously impacting all transportation projects. Mr. Prima anticipated that the tracks on Lodi Avenue would be removed in three to four years. Ongoing maintenance of the paved over section of Lodi Avenue will be necessary. The tracks along Lockeford Street are subject to negotiations. The timeline for the Lodi to Stockton project would be up to the railroad.

Council Member Land also voiced support for pursuing the alternative project. He liked the idea of using the abandoned land for a parkway or widening the streets and also believed it could be used for affordable workforce housing.

Council Member Beckman expressed support for the alternative project.

MOTION:

Council Member Beckman made a motion, Land second, to direct staff to continue negotiations with the railroads on the alternative project proposed by the railroads to implement the Lodi Central City Railroad Safety Improvement Project.

DISCUSSION:

Council Member Hansen pointed out that the staff report suggested that Council designate a member to be involved in negotiations.

Council Member Howard expressed an interest and reported that she gave a presentation this morning before Congressman Richard Pombo at a joint meeting with SJCOG. Tomorrow afternoon another meeting is scheduled between the City and Congressman Pombo. She pointed out that this is one of the projects that Council requested SJCOG to consider for the One Voice trip. Ms. Howard stated that since Council Member Hansen is an alternate to SJCOG he could also serve in an alternate capacity regarding this matter.

VOTE:

The above motion carried by a unanimous vote.

VOTE TO CONTINUE WITH THE REMAINDER OF THE MEETING

The City Council, on motion of Council Member Land, Hansen second, unanimously voted to continue with the remainder of the meeting following the 11:00 p.m. hour.

I. REGULAR CALENDAR (Continued)

E-2 "Approve minutes: a) December 18, 2002 (Regular Meeting)"

Council Member Hansen noted that the minutes have been amended to include his question related to whether or not a downtown business person had expressed concern about how the downtown association used and accounted for its money. Under another item, the minutes were corrected to reflect that Mr. Vaccarezza requested that he be allowed to keep one basketball court, as opposed to both.

MOTION / VOTE:

The City Council, on motion of Council Member Hansen, Beckman second, unanimously approved the minutes of December 18, 2002 (Regular Meeting), as amended.

E-3 "Authorize the City Manager to enter into an agreement with CBA for the preparation of an update to the City of Lodi Housing Element and associated Environmental Impact Report (\$127,200)"

Council Member Hansen recalled that the number one issue that he heard while campaigning was the need for affordable housing. He believed that the matter before Council under this item is a step in the right direction for addressing affordable housing in terms of the plan that will be developed and the allocations that are being set as a guideline.

MOTION / VOTE:

The City Council, on motion of Council Member Hansen, Land second, unanimously authorized the City Manager to enter into an agreement with CBA for the preparation of an update to the City of Lodi Housing Element and associated Environmental Impact Report (\$127,200).

J. ORDINANCES

None.

K. COMMENTS BY CITY COUNCIL MEMBERS ON NON-AGENDA ITEMS

- Mayor Pro Tempore Howard thanked Valley MRI and Lodi MRI, of which her husband is the administrator, for presenting each staff and Council Member with a mug this evening. The business opened in Lodi a year ago and has been doing very well. She noted that the projects Lodi brought to SJCOG were: 1) the Lodi central city railroad safety improvement project; and 2) acquiring wetlands to help meet some of the mandates for the City's wastewater treatment facility. Ms. Howard reported that following the presentation with Congressman Pombo, she met with Julia Greene, Executive Director of SJCOG, to express her interest in making sure that one of Lodi's projects would be on tier one. She explained

that in order to be on tier one, the project needs to have a strong regional foundation. Through her discussions with Ms. Greene and Public Works Director Prima, she believed that Lodi has a strong argument to present at the monthly board meeting in order to allow the acquisition of wetlands for the wastewater treatment plant to be moved up to tier one, which will result in some decisions that staff and Council will need to consider. She reported that the suggestion related to changing the focus to more of a regional open space concept, would not only meet the need of providing the wetlands for discharge purposes, but also allow some potential funding such as the Calfed mechanism and thoughts regarding the volume of acreage that is considered by the City.

Public Works Director Prima noted that Ms. Howard used the term "open space"; however, staff had been thinking more in terms of either agriculture or a preserve.

- Council Member Land announced that a Housing and Financial Assistance Workshop will be held at the Lodi Boys and Girls Club from 9:00 to 3:00 p.m. on January 25. It is being sponsored by the City's Community Development Department and the San Joaquin Partnership for Families. The workshop will help individuals acquire home ownership. Consumer Credit Counseling Services of Mid-Counties will assist individuals with cleaning up their credit and will provide first-time homebuyer classes, as well as a new program called Get Checking. The San Joaquin Housing Authority will have Family Self Sufficiency (FSS) coordinators at the workshop. The coordinators will explain to individuals on Section 8 how they can become a participant in the FSS program, which teaches credit counseling, first-time homebuyer classes, job resume preparation, how to acquire their GED, and how to develop an individual development account where they can receive matching funds for home down payment. There will also be local banks providing information on the earned income tax credit. Anyone making less than \$31,000 a year can receive up to \$4,100 in income tax return funds. Mr. Land reported that according to an IRS survey, 30% to 40% of the individuals who qualify for an earned income tax credit do not apply. The Housing Authority is considering displaying the house it has for sale at 328 ½ East Flora Street.
- Council Member Beckman announced that January is National Boy Scout Month and on February 1 the Boys Scouts are having their Scout-A-Rama at the Lodi Grape Festival from 9:00 to 4:00 p.m. Mr. Beckman noted that he is the District Chairman for the Boy Scouts 49er District.
- Mayor Hitchcock thanked Council and staff for attending the League of California Cities Central Valley Division dinner meeting. She will be attending the Labor Relations Institute in Monterey from January 30 to 31 and encouraged other Council Members to attend.

L. COMMENTS BY THE CITY MANAGER ON NON-AGENDA ITEMS

- City Manager Flynn commented that he sent Council an e-mail today regarding the BMX event at the skate park this weekend from 12:00 to 6:00 p.m. He reported that there will be no music; however, announcements will be made over a PA system. The Lodi Boys and Girls Club crab feed will also be held this weekend. He announced that Council Member Beckman is getting married on February 14. Mr. Flynn stated that he will be attending several conferences over the next few months including the City Managers meeting in February and the National League of Cities conference in March. Tomorrow he will be absent, as he is accompanying his wife to Fresno to see a doctor.

M. ADJOURNMENT

There being no further business to come before the City Council, the meeting was adjourned at 11:30 p.m.

ATTEST:

Susan J. Blackston  
City Clerk