

**LODI CITY COUNCIL  
SPECIAL CITY COUNCIL MEETING  
CARNEGIE FORUM, 305 WEST PINE STREET  
WEDNESDAY, APRIL 30, 2003**

A. CALL TO ORDER / ROLL CALL

The Special City Council meeting of April 30, 2003, was called to order by Mayor Hitchcock at 7:02 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

B. REGULAR CALENDAR

B-1 “Review and discuss fiscal years 2003-05 Financial Plan and Budget alternatives”

Deputy City Manager Keeter reported that the City Manager has discussed the 2003-05 budget situation with department heads, labor representatives, contract, and probationary employees. Three committees were developed: 1) budget reduction, 2) revenue enhancement, and 3) reduction in force policy. The committees worked during the week of April 7 and met on April 11 to present their recommendations. Ms. Keeter emphasized that the budget proposal was done through a consensus-building process.

Finance Director McAthie noted that she would be reviewing general fund operating account reports and mentioned that blue sheets were distributed pertaining to the Downtown Lodi Business Partnership (DLBP) and Parks and Recreation Commission (all filed). Referencing the report entitled, “Changes in Fund Balance – General Fund,” Ms. McAthie reported that at the end of fiscal year 2001-02 the total fund balance in the general fund was \$2,588,278. As of December 31 there was \$29.9 million worth of estimated revenue and \$32,147,531 in operating appropriations. There was an estimated transfer in of \$6.6 million and an estimated transfer out of \$5.5 million, which included the \$1.5 million that moved from the operating budget to the capital. Other sources and uses of \$1.2 million is a conservative number based on the unexpended appropriations. As of the March 31 expenditure report, the total general fund operating was expended at 73.3%. If those ten months were flat lined it would be approximately 83.3%. Using a conservative estimate, staff believes that there will be unspent, unappropriated money at the end of the year amounting to \$1.2 million. The projected fund balance is \$2,642,000, which is roughly \$54,000 more than the ending balance in 2001-02. The column designated as “2003-04 Requested Budget” shows a *negative* \$1.2 million fund balance. The main difference in the revenue under intergovernmental is \$2.3 million, which is the Vehicle License Fee revenue that has been added back into the budget. Another difference in revenue is \$168,600 for service charges. The final change to the operating revenue was a donation of \$5,000 that offset a significant expenditure request. After adjustment, the estimated total fund balance projection for 2003-04 is \$1,762,417, which is a 5.17% fund balance. Projecting into the 2<sup>nd</sup> year when CalPERS (California Public Employees’ Retirement System) rates increase, the fund balance is a *negative* \$625,598, which is *negative* 1.71%.

City Manager Flynn reported that the drivers affecting the City’s budget at this time are the following:

- An increase in CalPERS;
- Medical insurance increase of \$900,000;
- Doubling of Workers Compensation costs, for which \$1.6 million has been budgeted;
- The City’s liability account increased \$300,000; and
- A cost of \$1 million for pay raises to bring City employees up to the average of the survey cities.

In reply to questions posed by Mayor Hitchcock, Ms. McAthie stated that the recommended budget takes into account that the City probably will not get some of the grants that it has received in the past. Estimated revenue for sales tax was also lowered. No other reductions to any other major source have been made because it is still

unknown whether there will be any cutbacks from the State. Mr. Flynn reported that the sales tax was decreased by approximately \$400,000 in the recommended budget and there were no projections for growth or cost of living adjustments. The revenues are much more conservatively estimated than what has been done in the past. He stated that the proposed budget will be based on what is known, and when additional guidance is provided by the State in September or October, staff will return to Council with additional suggestions to balance the budget.

Mayor Pro Tempore Howard commented that every year Ms. McAthie has prepared a budget and given estimates, it has come out either at or above her projections. She noted that historically Ms. McAthie has been accurate.

In reference to Workers Compensation and liability, Mayor Hitchcock recalled that a couple of years ago she had expressed concerns that the actuary study was not being used and a mid-year adjustment of \$700,000 had to be made. Now there is an adjustment of \$800,000. She asked whether the actuary study is being used for this year's budget, to which Ms. McAthie answered in the affirmative.

Mayor Hitchcock asked that Council be provided with the actuarial study for liability and Workers Compensation.

Ms. McAthie reviewed the report (filed) entitled "General Fund Expenditure by Departments without 100 series." The actual amount spent in 2001-02 was \$7.2 million. The current budget level as of December 31 is \$8 million. Differences between the requested and recommended 2003-04 budgets are as follows:

- City Clerk and City Council – decreased \$20,000;
- City Manager – decreased \$86,000;
- City Attorney – flat lined;
- Community Center – decreased \$73,000;
- Community Development – decreased \$118,000;
- Finance – the original request was 25% less than in the current year; however, the decrease was offset by the increase in the MasterCard and Visa charges for allowing citizens to pay their utility bills using a credit card;
- Fire Department – increased \$2,000; reductions were offset by the significant expenditure for the breathing system for Truck #1 and the fire academy;
- Human Resources – decreased \$30,000;
- Parks and Recreation – reductions were offset by increases in the after school programs and salmon festival, which are offset by additional revenue;
- Police Department – \$75,000 decrease net of the increases for significant expenditure requests for veterinary services and animal shelter office space rental; and
- Public Works – \$63,000 decrease net of its significant expenditures.

Ms. McAthie reported that the 2003-04 general fund requested amount was \$7.9 million, which was a 1% reduction (minus the 100 series) from the current funding. The requests were further reduced by 5.31%. The final 2003-04 recommended amount versus the 2001 actual spent amount was increased by 4.69% and the bulk of that was offset by additional revenue.

At the request of Mayor Hitchcock, Ms. McAthie reviewed the Other Sources and Uses category, which she stated consisted mainly of the cost allocation plan. An example of an operating transfer in would be when the Asset Seizure Fund is going to pay for something incorporated into the general fund. An example of operating transfers out would be medical and dental benefits, Workers Compensation, and general liability. She explained that when they are all brought together citywide, they equal each other and wash out. She pointed out that the budget document details all of the transfers in and out of the general fund and this will be reviewed with Council next week.

Ms. McAthie noted that all four scenarios show a balanced budget and end with a reserve ranging from 12% to 15%. Fiscal year 2001-02 ended with a 10% general fund reserve. Ms. McAthie reviewed current vacancies as follows:

- Community Development – one vacancy: Administrative Clerk;
- Finance – three vacancies: Accountant, Customer Service Representative, Meter Reader;
- Parks and Recreation – two vacancies: Administrative Clerk, Park Maintenance Worker;
- Police Department – one vacancy: Dispatcher Jailer; and
- Public Works – three vacancies: Engineering Technician, Junior Assistant Engineer, Lead Equipment Mechanic.

Ms. McAthie stated that the average salary is \$50,000, which multiplied by ten, is the anticipated \$500,000 savings in hiring lag for these positions.

In reply to Council Member Hansen, Mr. Flynn reported that Police Chief Adams had indicated that the department could work with one less Dispatcher Jailer without any significant impact.

Ms. McAthie noted that in addition to the current 10 vacant positions, it is anticipated that there would be 15 future positions that would have a hiring lag.

Mr. Flynn cautioned that the hiring lag figure is “soft savings” and the number of positions is a goal *hoped* to be achieved within the next year.

Council Member Hansen preferred estimating for ten positions in the future, to which Mayor Hitchcock and Council Member Beckman concurred.

Ms. McAthie explained that the golden hand shake would be for positions that there would be no intent to fill. The net cost in the 1<sup>st</sup> year is \$200,000 and in the 2<sup>nd</sup> year \$400,000.

Mr. Flynn warned that this is also a “soft savings” and that the program would be voluntary. The number used reflects seven positions in which the department heads assured him there would be no plans to replace.

Ms. McAthie reviewed the following new or increased fee proposals:

- Police Department – \$175,000; animal shelter fees, DUI fees, boot tow for parking offenders, and increased parking citations.

In reply to Mayor Hitchcock’s inquiry regarding the City of Stockton’s proposal to increase dispatch service fees, Mr. Flynn stated that it would take a year to implement the changes. He stated that the Police Department might consider providing dispatch services for Lodi and the north county. He estimated that for half of what Stockton is proposing to charge, Lodi could pay for its own program. Fire Chief Pretz reported that the current charge is \$10.37 per call. Stockton proposes to increase the per call fee to \$22.84. He noted that the contract began in July and is on a year to year basis. He stated that there would be no change in the fees until 2004. Chief Pretz also commented that the Fire Department is still short two firefighters and would be three short in May.

Ms. McAthie replied that the firefighter positions have been approved for recruitment.

- Finance Department – \$265,000; increase return check fee from \$10 to \$25, increase late fees on utility bills, administrative fee for business licenses, and reconnect fee for utilities.
- Community Development Department – \$390,000; increase in building and roofing permits, energy plan check fee, Americans with Disabilities (ADA) plan check fee, etc.
- Public Works – \$52,000; special event fee for traffic control, plan check and processing fees for development projects, maintenance agreement with Caltrans for Highway 12, etc.

- Parks and Recreation – \$35,000; special events fees for park maintenance, reimbursement on the BOBS contracts, etc., as well as a change in policy on the cost recovery from 30% to 35%.

Mr. Flynn noted that the cost recovery increase would generate an additional \$70,929. In reply to Council Member Land, he confirmed that the policy of keeping fees low for youth programs and higher for adult programs would remain intact.

- Community Center/Hutchins Street Square – cost recovery increase from 30% to 40%.

In reference to carry over, Ms. McAthie reported that the anticipated unexpended appropriation based on historical views is \$1.2 million. Because budgets have been reduced in 2003-05, the estimated carry over is estimated at \$700,000 in the 1<sup>st</sup> year and \$500,000 in the 2<sup>nd</sup> year. Fully authorized positions are budgeted at the E-step level, which historically amounts to \$200,000. The voluntary leave without pay program for one year is estimated at \$50,000.

Mr. Flynn stated that if the program were mandatory the City could save \$1 million. He reported that one day per month for 12 months equals 5% of salary. He stated that staff would develop a policy for Council adoption and give employees an opportunity to sign up for the program. The program will not apply to the Police or Fire Departments.

Council Member Land expressed support of the voluntary leave without pay program concept.

Council Member Beckman suggested that staff explore a program that focuses on the week between Christmas and New Year's Day when there is generally a slow down in activity.

Mayor Pro Tempore Howard also expressed support for the program and commented that she liked it being voluntary rather than mandatory. She recommended that included in the policy be language specifying how many days notice employees give their department heads.

Mayor Hitchcock recalled that she had heard of similar programs where city halls close on certain days that were typically slow. She offered this as a possible program where all general fund employees would take the day off without pay.

Council Member Hansen pointed out that Mayor Hitchcock's suggestion would make it a mandatory program.

Ms. McAthie reviewed scenario 1 as follows:

- Arts Commission Grants program remains at the current funding of \$75,000;
- DLBP decreased by \$5,000 from current funding of \$47,000. Ms. McAthie pointed out that a blue sheet Significant Expenditure Request report (filed) had been distributed to Council, in which the DLBP requested that its contribution be increased to \$90,000;
- Lodi Convention and Visitors Bureau (LCVB) decreased by \$13,000 from its current funding of \$130,000;
- Chamber of Commerce remains at its current funding of \$25,000;
- Kids' Night Out remains at its current funding of \$18,000;
- San Joaquin Partnership remains at its current funding of \$30,000;
- Part-time hours in Administration would be reduced by \$1,400;
- Public Works intern hours would be reduced by \$22,000;
- Pacific Muni Consultant (for contract code enforcement officer) would remain at \$72,000; and
- No additional reductions in general fund staff would be recommended.

Mayor Pro Tempore Howard noted the DLBP is under the impression that its request of \$90,000 would be a reduction from last year. Records show contributions to the DLBP last year of \$115,000; however, they were given the \$47,000 annual amount with additional funds for reimbursement of costs and funding for the banner program. Ms. Howard voiced support for keeping funding at \$47,000. She noted that the Arts Commission monies are used for grants, which should be considered differently than those using funding for operational costs.

Mr. Flynn reported that in scenario 1 it is recommended that four firefighters be added in the 1<sup>st</sup> year. In scenarios 3 and 4, it is recommended that three firefighters be added in the 1<sup>st</sup> year and one firefighter added in the 2<sup>nd</sup> year. He reviewed scenario 2 recommendations as follows:

- Arts Commission Grants program reduced \$25,000;
- DLBP reduced to \$37,000;
- LCVB reduced to \$104,000;
- Chamber of Commerce reduced \$5,000;
- Kids' Night Out program cut; and
- San Joaquin Partnership reduced to \$20,000.

Mike Locke, Chief Executive Officer of the San Joaquin Partnership, reported that public agencies make up 27% of funding for the Partnership. The city of Stockton and San Joaquin County each contribute \$75,000 annually, the cities of Lodi, Tracy, and Manteca provide \$30,000 annually, and the cities of Ripon, Escalon, and Lathrop have provided \$5,000 annually. He noted that Lathrop has recently increased its contribution to \$10,000. The County recently informed the Partnership that it intends to reduce its funding by 30%, to \$50,000. The private sector membership provides 73% of Partnership revenues. There is a 5% turnover of the private sector membership each year. The Partnership is trying to raise \$75,000 annually to sustain and expand its programs. If the Partnership took a \$100,000 cumulative loss from the County and cities, it would have to lay off one of its six positions.

Council Member Land recommended that each Council Member's \$5,000 annual travel account funding be reduced by \$1,000 and the money be provided to the Partnership for a total contribution of \$25,000.

Mayor Hitchcock, Mayor Pro Tempore Howard, and Council Members Beckman and Hansen all concurred with reducing Council Members' travel accounts as suggested by Council Member Land.

Mr. Flynn commented that the direction he has given staff related to training and conference expenses is that training to maintain professional status will be funded and general attendance at conferences should be limited to one person who can then bring the information back to others in the department.

Mayor Hitchcock stated that she is looking to cut expenditures – not investments that bring in additional sales tax dollars and help the City's revenue base. She was more in favor of protecting funding to local programs, rather than outside agencies such as the San Joaquin Partnership.

Council Member Hansen agreed with Mayor Hitchcock that community organizations are an investment and suggested that no cuts be made to them. He pointed out that if the City cuts funding to the LCVB they would also lose matching funds from the Grape Commission. He commented that Kids' Night Out was well attended at the last event.

Mr. Flynn stated that he understood the importance of contributing to the economy. Over the last seven years the City has gone from spending \$70,000 a year to well over \$500,000 a year into promoting and marketing Lodi. He stated that one of the great beneficiaries are the wineries. Six years ago Lodi had 3 wineries and today there are 40. He questioned their level of participation and asked whether the City should be doing the

marketing for wineries in Lockeford, Acampo, and the foothills. He had heard that discussions were taking place about forming an assessment district, to which he implied would be a good idea so that people who benefit, pay for the programs. He recalled that when the DLBP originated there was an understanding that funding would only be needed for two years. Since that time, more and more of the burden is being placed on the City to fund the DLBP. He suggested that a payment plan be developed for the DLBP to repay the City for the \$39,000 donation it made toward the banner program that has not yet come to fruition. He recalled that the DLBP estimated that it cost \$15,000 a year to collect the assessments and suggested now that the City has taken over these services, perhaps it should charge them this cost.

Mayor Hitchcock felt that community promotion entities are building the economy and could have the potential for assisting the City with the greenbelt issue. She stated that the updated general plan should provide for agriculture and a grape growing region.

Council Member Hansen stated that he tended to agree with Mr. Flynn's position; however, he felt that the organizations should be allowed adequate time to accomplish their goals. He noted that he saw nothing in the 2003-05 budget regarding the paramedic program.

Mr. Flynn replied that the paramedic program would be in the 2005-06 budget.

Council Member Beckman pointed out that the DLBP has assessment fees that it levies upon its members. The Chamber of Commerce has a voluntary membership. Both of these organizations have the ability to recruit more members or raise their fees. The LCVB does not have the ability to raise more money, as the other entities can. He did not believe that the LCVB should be looked at more harshly than the other two organizations that have an opportunity for self funding. The San Joaquin Partnership is an entity that brings in revenue and helps the economy of the community. Of the three organizations, the LCVB also brings revenue into the community. In reference to Mr. Flynn's comments regarding the wineries participating, Mr. Beckman stated that that would be a valid argument once the proposed Business Improvement District was in place. He noted that the wineries participate through the Wine Commission. He stated that Council could take action to level the playing field for all three organizations, but until that time, he did not believe that treating them equally was fair.

Council Member Land recommended that the funding remain at its current level for all the community promotions programs and noted that DLBP's current funding is \$47,000. He recalled that at the last joint meeting with the DLBP, they indicated that the banner program would be included in their budget for next year. He felt that once the City received a copy of the banner purchase invoice, it would be appropriate at that time to release funding to the DLBP. He clarified that the \$39,000 designated for the banners last year should come out of the \$47,000 annual contribution for 2003-04.

Mr. Flynn noted that a 5<sup>th</sup> scenario would be developed taking into consideration the direction received from Council this evening.

Council Member Beckman concurred with Mr. Land's comments regarding the DLBP.

Mayor Pro Tempore Howard believed that comments made by Mr. Beckman for or against funding the LCVB are a conflict of interest.

Council Member Beckman replied that he was merely asking that they not be treated equally.

Mayor Pro Tempore Howard responded that that point would have more appropriately been made by a representative of the LCVB.

City Attorney Hays acknowledged that he spoke with Council Member Beckman about this matter. Mr. Hays stated that he heard Mr. Beckman's comments this evening as espousing a theory, as opposed to talking specifically about the LCVB. He was talking about organizations that were on a level playing field that had the same structure in terms of being able to raise money. Mr. Hays noted that Mr. Beckman is prepared to state that there is a conflict, and not participate, when Council considers the question of what level of funding it will provide to the LCVB.

In reply to Mayor Hitchcock, Mr. Hays explained that California has three different conflict scenarios. The Fair Political Practices Commission administers the Political Reform Act, which is a body of law that looks at whether or not someone has a financial interest in an activity that takes place. California Government Code Section 1090 deals with contracts entered into by the City that provides some kind of beneficial interest to a Council Member. California also recognizes the common law rule, which is based on a judgment of the perception that others might have of an individual's actions. Referencing Mayor Hitchcock's example of her husband serving on Lodi Adopt-A-Child, Mr. Hays believed it would be a perception issue, as there would be no financial gain attributed to action related to the Adopt-A-Child group. He stated that the decision lies with Council Members as to determining whether they feel the perception is of such a magnitude that they feel conflicted. He said it is a similar perception issue with regard to Mayor Pro Tempore Howard serving on the Salvation Army Campaign Steering Committee.

Mr. Flynn reported that there is a \$1,400 reduction in part-time hours, which equates to about 10% of the compensation for a disabled employee. There is a \$22,000 reduction in Public Works intern hours. The \$72,000 Pacific Muni Consultant reduction is for a contract code enforcement officer. In scenario 2 pay raises are being recommended. In addition, employee participation in medical insurance cost has been estimated at \$200,000. In scenario 2 there are four firefighters in the 1<sup>st</sup> year. The difference between scenario 2 and 3, is that in scenario 3, the recommendation is for three firefighters in the 1<sup>st</sup> year and one in the 2<sup>nd</sup> year. The difference between scenarios 3 and 4, is that in scenario 4, the reduction in staff is not recommended. Scenario 4 allows for pay raises, firefighters, and recommends program reductions. The 2<sup>nd</sup> year in scenario 4 provides the smallest fund balance; however, it is still greater than the fund balance that is projected for the end of the current year. Under scenario 1 there would be no pay raises, some program cuts, and it would provide for sufficient money to transfer to the capital outlay fund to do capital projects. He noted that it would require debt financing and that he did not recommend it.

Mayor Pro Tempore Howard stated that she was not in favor of reducing the 16 positions if at all possible.

Council Member Beckman stated that he would like to see reserves in the 15% range going into the 2003-04 year and 13% to 14% in 2004-05.

Ms. McAthie reported that scenario 4 has a 15% reserve in the 1<sup>st</sup> year and a 13% reserve in the 2<sup>nd</sup> year when it is combined with the Library.

#### PUBLIC COMMENTS:

- Dorothy McClaine, 1321 E. Lockeford Street, stated that she was 86 years old and was born in Lodi. She believed it was time that the City began treating people equally, rather than disenfranchising the less affluent by providing less resources and making references to the "east side of the railroad tracks." She stated that a grocery store is needed in the area. She felt that when property is annexed into the City it should be brought up to standard and noted that she has a septic tank and should have sewer service and curbs. She complained of weeds growing near the railroad tracks that run between her property and Highway 12.

In answer to Council Member Hansen, Community Development Director Bartlam reported that the supermarket project, which will be located at the old Tokay Bowl property, is currently in plan check and should be ready to issue a permit by the end of May.

- Mark Zollo addressed Council and introduced himself as Facilities Supervisor for Public Works and President of the Association of Lodi City Employees bargaining unit for General Services and Maintenance and Operators. He expressed appreciation to the Management Team for including line staff participation in developing alternatives for budget cost reductions and increasing revenues. He encouraged Council to take a long-term approach to the current budget situation, i.e. one that preserves City program services and the staff that provides them. He stated that general fund staff and programs ensure public safety services can carry out their missions. They ensure that the public always has clean drinking water and drives on safe streets. General fund staff maintains the recreational opportunities that Lodi has to offer and it develops and executes the planning needed for Lodi's future. General fund staff represents the public's interest, ownership, and knowledge base for those programs and systems. Mr. Zollo stated that it is in the community's interest to avoid reductions in qualified and committed staff. A long-term perspective by the Council would preserve the high quality of City services and avoid a costly redevelopment of lost services due to short-range planning decisions and strategies.

In reply to Mayor Hitchcock, Mr. Zollo stated that the organization is supportive of and would meet the challenge of the hire lag of 10 and 15 positions in the 2003-05 budget as recommended by the City Manager.

- Nancy Beckman, Executive Director of the Lodi Conference and Visitors Bureau, thanked the Council for its support. She reported that the Transient Occupancy Tax has increased 12.43%. There has been an increase of visitors and sales at the tasting rooms. The Wine and Visitors Center has seen a 56.3% increase in visitors, which means increased revenues to the City in the way of taxes. Ms. Beckman stated that she met with the City Manager last week. In reference to their discussions, she pointed out that Napa has 300 well established wineries. In Lodi many wineries are just getting off the ground and many are not yet turning a profit. Napa has 6 million visitors a year, which equates to \$1.6 billion in funding. Regarding Mr. Flynn's inferences that wineries in Lodi are not contributing, Ms. Beckman believed it was a disservice to them, as they do contribute significantly. She reported that last year the LCVB received \$1.13 in community support for every dollar that the City contributed.
- Peter Westbrook, President of the DLBP, thanked Council for its support. In response to Mr. Flynn's earlier suggestion that the DLBP be charged for the service of collecting assessment fees, Mr. Westbrook stated that the ordinance clearly stipulates that the City "will bill and collect," which is why a reimbursement for collections cost was given to the DLBP previously. Mr. Westbrook stated that he made tactical errors last year in requesting and receiving money from the City. He stated that it was clear from the (June 19, 2002) minutes that the \$100,000 level was approved by three members of Council. Mr. Westbrook stated that he had been asked in "almost a quid pro quo fashion" if the DLBP could creatively finance by using different sections of its budget to get to the \$100,000 amount. He commented that the banner program has always been on the agenda of the DLBP and year by year they work toward it. He noted, however, that banners do not bring people to downtown Lodi, they do not raise sales tax revenues, and they do not do anything for the individual merchants, except perhaps to include the districts in the boundaries. When he was asked by former Mayor Pennino last year if the DLBP could include the banners as a way to get to the \$100,000 that they needed, he agreed. Mr. Westbrook stated that they were not intending in any way to "hogtie" themselves, or be limited to spending \$39,000 on a banner program last year. When the DLBP launched the idea of having a Dickens Faire event last year, they made sure that all Council Members were aware of the concept, plan, and budget. Mr. Westbrook stated that he was approached by three Council Members that offered to give the DLBP the \$30,000 that was needed for the event; however, he told them that he preferred to wait because he thought they could raise the money. The DLBP raised over \$100,000 for the Faire and ended up losing \$40,000. He stated that contemplation of the banner program

was the DLBP's long-range goal. He believed that to tie the DLBP to whether or not they bought "a piece of fabric" was unrealistic considering the results they accomplished. He reported that visitors to the downtown area increased from 75,000 in 2001 to more than 130,000 in 2002. Mr. Westbrook stated that it was a misconception that the DLBP could be self funded within two years. He stated that he read every plan from every consultant that made a recommendation that the DLBP be formed, and not one said the DLBP would be self funding in even a five-year period of time. Mr. Westbrook believed that the DLBP contributes to the whole of the community through sales tax. Last year they donated nearly \$4,000 toward the Veterans Plaza fund. He stated that raising the assessment fees would be a time-consuming process and the DLBP would need Council approval according to the ordinance.

Council Member Hansen pointed out that the City has put multi-millions of dollars into the downtown. There are many businesses in Lodi that have not received the same type of support. He stated that the minutes reflect that \$39,000 was designated for banners and he held the DLBP accountable for these public funds that were given to them for a specific purpose. Mr. Hansen asserted, "Show me the money, or show me the banners."

Mr. Westbrook replied that last year the DLBP created scenarios for the budget and the banners were included in it. The Dickens Faire was a special event and inclement weather limited attendance and revenue. Mr. Westbrook recalled that every year that the DLBP comes before Council they are asked to "back into" the money in a different way. He acknowledged that at the last joint meeting between the DLBP and Council he stated that there was a plan for the banners; however, they do not intend to do them all at once. If the budget is reduced from what the DLBP has been given previously, it will take longer to do the banners than what was initially intended.

Council Member Hansen noted that the Council does not intend to provide funding for the banners again.

In answer to Council Member Hansen, Mr. Westbrook acknowledged that the \$39,000 was spent on the Dickens Faire, which had concluded in a deficit position.

Mayor Hitchcock asked for further clarification regarding discussions Mr. Westbrook had with former Mayor Pennino.

Mr. Westbrook read the following excerpt from the June 19, 2002 minutes:

*Mayor Pro Tempore Hitchcock stated that the Downtown Lodi Business Partnership should be funded more heavily. Mr. Flynn replied that staff had originally included DLBP funding of \$47,000 and now recommend \$100,000. Council Member Land noted that he met with Peter Westbrook and Lew VanBuskirk about a month ago and at a previous Council meeting under Comments by Council he recommended that the City increase support for the DLBP. He recommended funding of \$100,000 this year and reevaluate its needs next year. He asked that collection letters from the City be mailed to the past due accounts that total \$35,000. Mayor Pennino suggested that DLBP funding of \$53,000 come out of the 2001-02 Contingency Fund and noted that the remaining \$47,000 is in the 2002-03 budget. Council Member Howard acknowledged that she met with Peter Westbrook this week. She was not in favor of the recommendation to fund the DLBP \$100,000.*

Mr. Westbrook stated that the DLBP submitted a budget for \$100,000 without any detail whatsoever about what the money was going to be spent on. In individual conversations the amounts were asked about, and it was suggested that it would not matter how it was arrived at, as long as the end result was the \$100,000 requested. Mr. Westbrook stated that the DLBP built a budget that would have enough money for

the Dickens Faire as well as to do the banners, and in the end, they found themselves with a \$30,000 shortfall. He stated that in retrospect he wished he had come back as suggested and asked for the \$30,000 to help fund the Dickens Faire, as it would have prevented the subsequent scrutiny and discussion over the banners. In that way, the Dickens Faire would have been funded separately rather than out of the existing budget of the DLBP. Mr. Westbrook stated that they thought they were being fiscally responsible by waiting to see whether they could raise the funds needed from the event, rather than asking for funding beforehand.

Council Member Beckman agreed with Mr. Hansen's earlier comments. He stated that he would support whatever is needed for the DLBP to be self funded in two years. He favored Business Improvement Districts and autonomous boards. He believed it was the Council's job to help the DLBP to become self sufficient.

Mr. Westbrook did not believe it was possible for the DLBP to be self funded in two years.

Mayor Pro Tempore Howard recalled that the minutes Mr. Westbrook read from should specifically say that one of her concerns expressed that night was that the request for money sounded like a lot of "fancy finagling" and she still believed, due to the way it was worded by the motion maker, that it was contrived. She recalled pointing out that night that the DLBP was asking for \$90,000; however, with the City's reimbursement for two years of collection services, it would total \$130,000, and there was \$30,000 more for the banner program. The response she received related to her concern was that it was all included in the \$90,000 request. She believed that the reimbursement and the banner funding was included in that dollar amount. She noted that it would be helpful to look at the minutes from the special joint meeting (May 14, 2002), which included a walking tour of the downtown area.

Council Member Hansen asked Mr. Westbrook whether the offer by three Council Members that he referred to earlier, was formal or informal.

Mr. Westbrook replied that it was an informal offer, but believed the commitment to be genuine. He stated that no one on the Board had any intention of spending banner money on something else. Circumstances placed them in a position of having a financial shortfall.

Council Member Hansen indicated that had the DLBP come to Council before the fact, it would have allowed Council the option to make a decision regarding the funding.

Mr. Westbrook responded that they thought the revenues and expenditures were in line and believed they would make money with the event.

Mayor Hitchcock stated that she took part in the discussions and had advised them to come to Council before there was a deficit, rather than afterwards. Mr. Westbrook's response to her at the time was that he thought they had sufficient funding to cover the event.

Mr. Flynn clearly remembered that when the DLBP was started, there was an understanding that funding would be needed for only two years. He recalled that last October he had planned on coming to Council with the DLBP's request for \$40,000 to fund the Dickens's Faire; however, the request was withdrawn prior to the meeting.

Mr. Westbrook noted that large businesses such as Lowe's and Winco had committed money to the event, but backed out at the last minute.

Deputy City Manager Keeter reported that in 1998 there was a two-year commitment that was made to fund the DLBP \$40,000 each year as seed money and that the City would contribute the funds as a match to the member contributions. She recalled from meetings that took place in the City Manager's Office that the DLBP came in

requesting \$100,000 in part because they wanted to bring on clerical staff. The City Manager's position was that staff could not recommend to Council additional funds for ongoing operations, because once that is done there is an expectation every year after that. It was suggested that if there were other costs, e.g. the banner program, then the City Manager could support coming to Council with a recommendation to increase the funds one time only for \$100,000. Ms. Keeter stated that the DLBP came back to the City Manager's Office and said they could come up with some one-time expenses, and they would go to other sources to fund the clerical hours.

Mr. Westbrook stated that the Board has the mission of promoting downtown Lodi, and results have been accomplished. He admitted the shortfall in funding and shortsightedness in not coming back to request additional money, which would have prevented this discussion from taking place.

Mayor Hitchcock recalled that when she first began serving on the Council she felt that the City should not be funding the DLBP at all. Over the past four years her perspective changed and she now sees them as supporting the economy and providing for a healthy downtown. She has learned that most cities support their chambers, tourist bureaus, and downtown organizations. She stated that it is something that the City will always have to do if it believes in the mission and what they do for the greater economy of Lodi.

In reply to Council inquiries, Mr. Flynn clarified that last year the City funded the DLBP \$100,000; they requested \$90,000, and \$47,000 was programmed.

Council Member Land recalled that last year he was supportive of allocating \$100,000 to the DLBP to use as they wished; however, there was not a consensus on the Council to do so. Former Mayor Pennino came up with a plan on how to fund the \$100,000, which included the \$39,000 for the banner program, to which the DLBP agreed. He expressed support for funding \$47,000 in 2003-04 and stated that he would like to see an invoice for the banners.

Council Member Beckman supported the \$47,000 for each year of the 2003-05 budget, with the understanding that at the end of that time he expected the DLBP to be moving away from government funding. He noted that he would not be in support of continuing funding at the \$47,000 level beyond the next two-year budget.

- Lew VanBuskirk, Executive Director of the DLBP, stated that Council Member Beckman's earlier comment that the DLBP could expand its membership was totally false. He explained that the DLBP operates under the auspices of a City ordinance as well as state law. The non-profit portion of the Partnership that formed was to implement the ordinance. In order to raise assessments, the DLBP has to have approval of the Council and go to a vote of the membership. He reported that 80% of their membership is small businesses and surmised that if the DLBP requested a 40% to 50% increase in fees, it would go out of business. He acknowledged that there are inequities and the DLBP is in the process of putting together a joint committee with representatives of the Council, community, and Business District to consider a fee adjustment. Mr. VanBuskirk reported that the vacancy rate downtown has gone from 20% to nearly zero in the last two to three years. He believed that the sales tax has also increased, which would mean that the City has received a return on its investment. He acknowledged that the DLBP requested \$90,000 last year and that the \$39,000 for the banners was included in that amount. He stated that if the Council limits the DLBP to \$47,000 in the next budget, it can survive and work on a program to get the banners up; however, to require the DLBP to pay \$39,000 out of the \$47,000 would essentially put them out of business for 2003-04.

In answer to Council Member Hansen, Mr. VanBuskirk reported that the DLBP's total income last year was \$219,000, which included \$114,000 from the City. Assessments totaling \$35,000 are billed and \$30,000 is collected. Last year the DLBP turned over \$10,000 to the City in delinquent assessments including penalties.

RECESS

At 10:23 p.m., Mayor Hitchcock called for a recess, and the Special City Council meeting reconvened at 10:33 p.m.

B. REGULAR CALENDAR (Continued)

- Pat Patrick, President of the Lodi Chamber of Commerce, urged Council not to consider scenarios which provide for a 20% cut to the Chamber and the LCVB. He suggested that if a cut must be made, it be for 10% to the Chamber, and that amount (\$2,500) be given to the LCVB to lessen the impact on them. He stated that he would like to work with staff and Council over the next three to four years to eventually do away with the City's financial support to the Chamber of \$25,000 and noted that the Chamber Board agrees.
- Mike Locke explained that one of the reasons for public support of the San Joaquin Partnership is that he felt public entities should be at the Board table and participating in how the Partnership recruits, attracts, and supports businesses. Over the last ten years the Partnership participated in over 17,000 direct jobs, which generates on a multiplier basis, over 32,000 jobs in the Council representing \$1.1 billion in annual payroll. The Partnership worked on six projects in Lodi and three of its industrial development bond projects were in Lodi, which equated to \$12 million in tax exempt financing measures. This amounts to 260 permanent full-time jobs with an average payroll of \$8.9 million annually to the City and about a \$40 million capital investment. He urged Council to approve the Partnership's funding of \$30,000.
- Ruth Jimenez, Chairperson of the East Side Improvement Committee, noted that the work on the east side of Lodi is not yet finished. She believed it would be a great disservice to cut back on code enforcement officers.

Community Development Director Bartlam clarified that the cut is to the Pacific Muni Consultant contract, from which one code enforcement officer is provided.

In reply to Council Member Hansen, Mr. Bartlam explained that at the time the contract was approved by Council, the Department had just added one additional code enforcement officer and did not want to add another permanent full-time employee to its staff. He noted, however, that there would be a reduction in service if the contract is eliminated, as the existing staff cannot absorb the work.

Mayor Hitchcock was opposed to the proposed reduction of the Pacific Muni Consultant contract, to which Mayor Pro Tempore Howard and Council Members Beckman and Land agreed.

Council Member Land questioned whether it would be less expensive to hire a full-time employee than spend \$72,000 annually on the Pacific Muni Consultant contract.

- Susan Pixler asked that the animal shelter be given an opportunity to make a budget request. She stated that the current shelter is woefully insufficient. The Animal Shelter Task Force looked at short- and long-term improvements and made ten recommendations last year for immediate improvements to the animal shelter. The new shelter facility will be on hold at least until 2005. She stated that if the City could help fund a spay and neuter campaign it could dramatically cut the cost of euthanasia, impoundment, etc. She stated that \$50,000 would have a significant impact on saving costs in the future of animal control. It would allow an opportunity to see what four or five years of an aggressive spay and neuter campaign could do to decrease the numbers of unwanted animals.

Mayor Pro Tempore Howard noted there has been a request in the budget to cover the cost of veterinary services. In the current budget there was an increase in the salary for an animal shelter employee. The Council also recognizes the ongoing need

for the trailer, which serves as office space. She encouraged Ms. Pixler to work with organizations such as the Animal Friends Connection and Maddy's Fund to assist with the spay and neuter program. She stated that budgeting \$4 million for a new animal shelter at this time would result in tremendous decreases in City services.

Ms. Pixler explained that Maddy's Fund cannot be used as a substitute for government services and clarified that she was not asking the Council to build the new animal shelter now.

Mr. Flynn explained that Ms. Pixler is asking for an opportunity to submit a budget request now that they were aware that the new shelter facility has been delayed and they will need to continue operating out of the current shelter.

Council Member Hansen voiced support for Ms. Pixler's suggestion of an aggressive citywide spay and neuter campaign, due to the potential cost saving effects.

At the request of Mr. Flynn, Public Works Director Prima reported that the intern program provides an opportunity for high school and community college students to learn a career while still in the formative stage and deciding what to do with their future. The amount budgeted for the intern program is \$22,000 and allows for two to three people to work part time during the year and in summer months. He offered to find the money within the Public Works Department budget if the Council would consider not cutting the program. He also voiced support for part-time hours in Administration that allows a handicap person to work.

Council Member Beckman expressed support for Mr. Prima's suggestion.

Mr. Flynn pointed out that the Council has added back in all of staff's recommendations for reductions. He stated that staff worked hard to come up with the recommendations to give Council scenarios with a balanced budget. As recommended reductions are added back in, it shifts the responsibility from staff to the Council, who will ultimately be faced with the same dilemma staff had in making their recommendations. He reported that a program that employed handicapped individuals to clean Hutchins Street Square and other areas was reduced in half. He recalled that there was no active support for the measure to increase the TOT tax, nor was there support from the east side for the Redevelopment Agency plan. He believed that this lack of support should be factored in when considering the budget. Mr. Flynn offered to cut his business expense budget so that the part-time handicapped individual in his office is not reduced in pay. He also offered 5% of his pay as a contribution.

- Joseph Wood addressed Council and introduced himself as the Community Improvement Manager and Vice President of the Lodi City Mid-Management Employees Association. He thanked City Administration for allowing Mid-Management employees an opportunity to participate and find a solution for the budget situation.

In reply to Mayor Hitchcock, Mr. Wood stated that there was no direct opposition on behalf of the Mid-Management Association to the City Manager's proposal to have a hire lag of 10 positions in the 1<sup>st</sup> year and 15 in the 2<sup>nd</sup> year. The Association was supportive of the recommendation through attrition; however, it hoped that some other alternative would be sought that would eliminate the need to layoff 16 people as outlined in scenarios 2 and 3.

- Eileen St. Yves urged Council not to reduce the number of code enforcement officers. She agreed with Council Member Land's suggestion to hire a full-time employee, rather than pay \$72,000 for contract services.

Council Member Hansen asked Mr. Flynn how he would accomplish the reduction of 16 positions.

Mr. Flynn replied that the reduction would not involve Water, Sewer, or Electric because they are not part of the general fund. Uniformed officers, i.e. Police, Fire, and dispatchers, would also be excluded. Service sectors would be reviewed as to what impact they would have on the City. Council would have to identify a position to be eliminated and a reduction of force process would be instituted. Employees with the least seniority would be laid off. Mr. Flynn acknowledged that if attrition and layoffs were both done it would amount to 41 positions, which would be one in three people in all affected departments, and result in a significant reduction in services.

Council Member Howard voiced support for the pay raises and believed it was important to bring employees up to mean of the salary survey. She was also in favor of employee's participation in the cost of medical insurance. She suggested that if it becomes necessary to make staff reductions that eight be considered, rather than 16. She agreed with the recommendation to cut the Kids' Night Out program from the budget and expressed hope that a private entity would sponsor the event. The \$18,000 saved could be used toward the community promotions programs to lessen any decreases to their funding. She expressed support for reducing the community promotions programs by 10%. She noted that the City has an Economic Development Coordinator, Chamber of Commerce, DLBP, and San Joaquin Partnership and asked at what point there might be duplicated services toward the same goal. She stated that if the DLBP is funded \$47,000 and requested to purchase the banners from this amount it would leave little remaining. She suggested that the Chamber of Commerce take over some of the programs now provided by the DLBP and consolidate services. She thanked the City Manager for including staff members in budget discussions.

Council Member Land reported that in 1996 the City had a reserve of just over 8%. In August 2002 the reserve was 14.2%. He commented that the reserve was built up for "a rainy day", which has now come. He was opposed to the scenarios that included a reduction of 16 positions. He supported employee pay raises, stating that they are the greatest resource the City has. He believed that community promotions organizations should be funded at their current levels, as well as including \$1,400 for part-time hours in Administration, \$22,000 for Public Works intern hours, and \$72,000 for Pacific Muni Consultant; however, he encouraged staff to compare this cost to hiring a full-time employee. He calculated that tonight the Council has added \$189,400 to the City Manager's recommendation, which would bring the reserve to \$3.4 million in the 1<sup>st</sup> year and \$2.9 million in the 2<sup>nd</sup> year. He reiterated his desire to require the DLBP to produce an invoice for the banners prior to releasing \$39,000 out of the \$47,000 contribution.

Mayor Hitchcock was opposed to budgeting for salary increases, as it is a negotiated item. She stated that it would be appropriate to increase the reserve to such a level that it allows for pay increases.

Council Member Hansen concurred with Mr. Land's comments and agreed that funds for salary increases would more appropriately be included in the City's reserve.

Mayor Pro Tempore Howard countered that if funds are not specifically designated for pay raises, it may lead to confusion, or later discussions regarding whether or not to provide salary increases at all.

Mayor Hitchcock reiterated that she did not believe there was any place whatsoever in the budget for salary increases except the reserves, until it is actually negotiated.

C. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

None.

*Continued April 30, 2003*

D. ADJOURNMENT

There being no further business to come before the City Council, the meeting was adjourned at 11:50 p.m.

ATTEST:

Susan J. Blackston  
City Clerk