

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, MAY 12, 2009**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, May 12, 2009, commencing at 7:03 a.m.

Present: Council Member Hitchcock, Council Member Johnson, Mayor Pro Tempore Katzakian, Council Member Mounce, and Mayor Hansen

Absent: None

Also Present: City Manager King, City Attorney Schwabauer, and City Clerk Johl

B. Topic(s)

B-1 General Discussion Regarding California Emergency Management Agency Fire Apparatus Benefits and Related Costs (FD)

City Manager King briefly introduced the subject matter of the California Emergency Management Agency (Cal-EMA) fire apparatus benefits and related costs.

Fire Chief Mike Pretz provided a presentation regarding the Cal-EMA fire apparatus benefits and related costs. Specific topics of discussions included an overview of the Office of Emergency Services program, Statewide mutual aid system, distribution of fire apparatus, County rotation on mutual aid, primary costs being paid by the State, reimbursements for deployments, full payment to date by State, and late payment in light of the State budget.

In response to Council Member Hitchcock, Chief Pretz stated the new truck would be stored at either Stations 2 or 4 or the old Municipal Service Center so long as the space is sheltered.

In response to Council Member Hitchcock, Chief Pretz stated the City has full use of the fire truck when needed as a reserve piece of equipment.

In response to Council Member Hitchcock, Chief Pretz stated the State reimburses the City for staffing at the rate of time and a half and the City also receives a 16% administrative fee.

In response to Mayor Hansen, Chief Pretz confirmed that the fire truck will not have the City of Lodi on it and will instead have the State Cal-EMA designation.

In response to Mayor Hansen, Chief Pretz stated that, while there is an expectation that the City will send out people if it has the truck, there is also an opportunity to opt out if the City is already committed without any financial penalties. Chief Pretz stated the primary difference between the current and future practice will be the State truck being used instead of the City truck.

In response to Council Member Johnson, Chief Pretz stated the City is currently set up on a rotational basis with the County for call outs and there really would not be any change to that process. He stated the decision to actually go out can be made at the time of call out based on brown outs or if any of the three existing teams are already out.

In response to Mayor Hansen, Chief Pretz confirmed that the worst case scenario could be that the State takes the engine back if the City cannot go out and the City remains a part of the State mutual aid program.

In response to Mayor Pro Tempore Katzakian, Chief Pretz stated the City currently gets reimbursed for staffing at time and a half plus the additional 16% and the fire truck based on a certain rate.

In response to Council Member Johnson, Chief Pretz stated the City is expected to participate on a rotational basis and for call outs that exceed a certain time period teams are rotated through on a County basis. Chief Pretz provided a brief overview of the mechanics of the fire truck and the equipment on the same.

In response to Mayor Pro Tempore Katzakian, Deputy City Manager Jordan Ayers stated the reimbursements for the previous year totaled approximately \$135,000.

In response to Mayor Hansen, Chief Pretz stated issues of reimbursement are discussed Statewide among agencies, including through the League Fire Chiefs Department. He stated the State is aware of the problem and has represented that it is working on the matter because participation may be affected by untimely reimbursements.

In response to Council Member Hitchcock, Mr. King stated he believes that the State does use local government for cash flow purposes as seen by the recent stall in capital improvement projects and park bond funds. Mr. King stated 15% reserves is a fair amount for the City to ensure proper cash flow through dry periods.

In response to Council Member Mounce, Chief Pretz stated the delayed reimbursement for the previous year was extraordinary in light of the State budget and on average an initial invoice is received within 60 days with payment being made within an additional 60 days.

In response to Council Member Johnson, Chief Pretz stated there are approximately five engines in the County currently, the engines typically remain with the training agency, and the level of need dictates how quickly and how the City responds.

In response to Council Member Mounce, Chief Pretz stated it is highly unlikely that the State would incorporate terms for reimbursement, including payment prior to the next rotation, into the agreement. Council Member Mounce requested information regarding the number of call outs and costs for reimbursement in the 2004 year.

In response to Council Member Hitchcock, Mr. King stated he asked Central Valley League Representative, Stephen Qualls, to research the matter of timely reimbursement for local government.

In response to Mayor Hansen, Chief Pretz confirmed the City Attorney's office has reviewed the contract and staff will be bringing the matter back to Council for acceptance of the fire truck.

In response to Myrna Wetzel, Chief Pretz confirmed that the fire truck will be available for the City to use as a reserve piece of equipment as needed and it is not likely that more than one truck would be out on a State call out.

B-2 General Presentation - General Fund Revenue Estimates (CM)

City Manager King provided a PowerPoint presentation regarding the fiscal year 2009-10 Draft Budget General Fund Revenue Estimates. Specific topics of discussion included unemployment rates in March, poor job market, sales tax in decline, steep drop in retail sales, business closures, 13-year sales history, businesses hurting, property values declining, little home buying, State woes, Educational Revenue Augmentation Fund (ERAF) shift, fiscal sustainability, average

general fund revenues, general fund reserve history, City policy regarding reserves, general fund by major sources, general fund history, property tax, property tax per capita, property tax distribution, sales and use tax, sales tax per capita, in-lieu franchise for electric (PILOT), in-lieu vehicle license fees, business license tax, transient occupancy tax, cable television franchise, natural gas franchise, and department overview of 2009-10 budget.

In response to Mayor Hansen, Mr. King stated the uniqueness of the current recession is how quickly things started to fall and, while the numbers may be getting better, it will take time due to the steep decline over a short period of time.

In response to Council Member Hitchcock, Mr. King stated unemployment rates could continue to go up and unemployment would likely be the last item to rebound from the current recession.

In response to Mayor Hansen, Mr. King stated the numbers reflecting the decline in property tax are based on the ERAF shift and Michael Coleman's calculated numbers for the State and cities throughout the State as the expert in the field.

In response to Council Member Mounce, Mr. King stated if the May 19 propositions fail it is likely that the State will be looking to take approximately \$2 billion from local government and the City's share would be approximately \$700,000.

In response to Mayor Hansen, Mr. King stated that, based on the charts, the last time the housing market was so negatively affected was in the 1982-1983 years.

Council Member Hitchcock requested information regarding average general fund revenues for other cities.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:16 a.m.

ATTEST:

Randi Johl
City Clerk



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: General Discussion Regarding the California Emergency Management Agency's Fire Apparatus Benefits and Related Costs

MEETING DATE: May 12, 2009

PREPARED BY Michael E. Pretz, Fire Chief

RECOMMENDED ACTION: General discussion regarding the California Emergency Management Agency (CalEMA) Fire Apparatus benefits and related costs.

BACKGROUND INFORMATION: CalEMA, formerly known as the California Office of Emergency Services (OES), provides fire protection throughout the State and utilizes resources from municipal fire departments under a state-wide mutual aid system. The City of Lodi Fire Department participates in this state-wide mutual aid system. Periodically CalEMA distributes fire apparatus to fire districts and city fire departments to be used during the activation of the mutual aid system.

The City of Lodi was approached by CalEMA to house their fire apparatus in 2008. After a thorough review of the program and cost analysis by the Internal Services Division, staff determined accepting the fire apparatus was in the City's best interest. (see attachment)

The City is responsible for the first \$100 of maintenance/repair. The State will reimburse the City for repair costs above \$100; with the State paying full costs for hoses, batteries, and tires. Moreover, the City will see a reduction in maintenance costs to city apparatus used in wildland fire response.

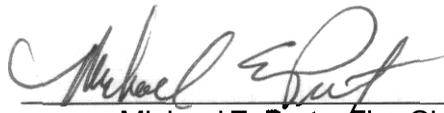
The State will continue to reimburse the City for personnel costs for deployments including an additional 16% administrative fee. In 2007-08 the state faced a prolonged budget impasse in the legislature. During this budget impasse, reimbursement payments to fire agencies were delayed until the passage of a state budget. Reimbursement checks began arriving in February 2009 and have continued with the last reimbursement check received May 1, 2009. The City of Lodi has received payment in full for wildland fire response in 2008.

APPROVED:


Blair King, City Manager

General Discussion Regarding the
California Emergency Management
Agency's Fire Apparatus Benefits
and Related Costs
May 12,2009
Page 2

The fire engine is a Type I fire apparatus similar to the fire apparatus currently used by the Lodi Fire Department. The engine is valued at \$340,000 and housing it with the City of Lodi is part of the state-wide Blue Ribbon Commission on Fire Safety recommendation. The Fire Department will operate the engine as a reserve apparatus. The engine will not replace current front-line apparatus and will not relieve the need to continue the fire apparatus replacement program.



Michael E. Pretz, Fire Chief

MEP/th

Attachment



Internal Services Department
Budget Division

MEMORANDUM

TO: Blair King, City Manager

FR: Susan Bjork, Management Analyst II 

DATE: August 1, 2008

SUBJ: Use of OES Engine – Budgetary Concerns

Per your request, I have met with Fire personnel on the acquisition of an OES Engine for use in Lodi. From information I have obtained through the OES website and staff, it is the intent of OES to reimburse mutual aid agencies when called upon for deployments greater than 12 hours.

Background facts that exist regardless of using a City engine or an OES engine:

Reimbursements for OES dispatches:

- Staff is reimbursed at 1½ times the average classification's straight time rate, plus a rate for worker's compensation and unemployment. These rates are provided to the state by the Fire Department and kept on file until an update is needed. An administrative reimbursement of 16% is allowed and added.
- For deployments of less than 12 hours, there is no reimbursement. For deployments over 12 hours, reimbursement occurs from time of dispatch to return.
- Incremental costs for incentive pay and Medicare on overtime are not reimbursed.

Budgetary Considerations:

- The City is responsible for the first \$100 of maintenance/repair of each individual item of repair – wear and tear type items. State will reimburse City maintenance/repair costs over \$100; State pays for full replacement of hoses, batteries and tires.
- Current backup engine #06-032, a 1976 VanPelt, costs the City roughly \$6,000 per year in maintenance/repairs. Using the \$100 deductible for the OES engine, the City would reach the break even point at 60 repairs; however it is expected the new engine would have significantly less individual repairs, thus saving the City on maintenance costs. The VanPelt would be surplus.



Internal Services Department

Budget Division

- State assumes responsibility for repair/replacement during State dispatched mutual aid or when reassigned; City assumes responsibility for repair/replacement if engine is consumed, lost, stolen, damaged or destroyed in other operations. Damage due to negligence is City's responsibility. Estimate for adding this engine to the vehicle schedule is \$1000.00 per year.
- A credit card is kept in the engine for Strike Team usage, eliminating the need for staff to use their own or City resources for gas and maintenance to/from incidents.
- It is expected there will be an increase in the number of mutual aid calls if the City possesses an OES engine but there is no method for accurately predicting this number. Current deployments average 3 per year, with each deployment lasting approximately 1 week; however, a deployment could last up to 14 days. Reimbursement for staff is the average classification rate at time and a half, plus a percentage for worker's compensation and unemployment. Not covered are the incremental costs for incentives and Medicare on the paid overtime; however, there is a 16% administrative allowance that may cover, at least in part, these costs. Additionally, meals en route are not covered.
- Loss of reimbursement revenue for use of Lodi's engine on an OES incident; however, there is a counter balancing decrease in wear/tear of Fire's fleet since the backup engine (the VanPelt) is not the one sent on OES deployments. There would also be no depreciation charges or need to build reserves for replacement of the backup engine.
- Additional burden on staff for record keep'ing and approval processes.
- General liability on the engine en route to/from incident. Adding the new engine to the vehicle schedule is approximately \$1000.00 per year.

Summation:

The City appears to break even or come out slightly ahead on staff cost reimbursement (due to not back-filling for dispatched staff, whenever possible, and the 16% administrative fee). It is expected that at least initially, maintenance costs will be reduced by eliminating the old engine from the fleet. From a break-even point, annual costs or savings to the City is minimal.



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: General Presentation – General Fund Revenue Estimates

MEETING DATE: May 12, 2009

PREPARED BY City Manager

RECOMMENDED ACTION: Receive presentation.

BACKGROUND INFORMATION: Soon, the draft Fiscal Year 2009-10 Budget will be completed and the document available for review. In the context of a Shirtsleeve Meeting, an informal presentation concerning General Fund revenues will be provided. This information will be presented again when the budget is formally presented.

Revenue projections drive the preparation of the expenditure budget and set the foundation for further budget discussions.

FISCAL IMPACT: Not Applicable


Blair King
City Manager

APPROVED: 
Blair King, City Manager

FY 2009/10 Draft Budget General Fund Revenue Estimates

Lodi City Council
May 12, 2009

Poor job market



Unemployment rates in March

Lodi	12.5%
San Joaquin County	16.4%
Stockton	19.7%
California	11.2%

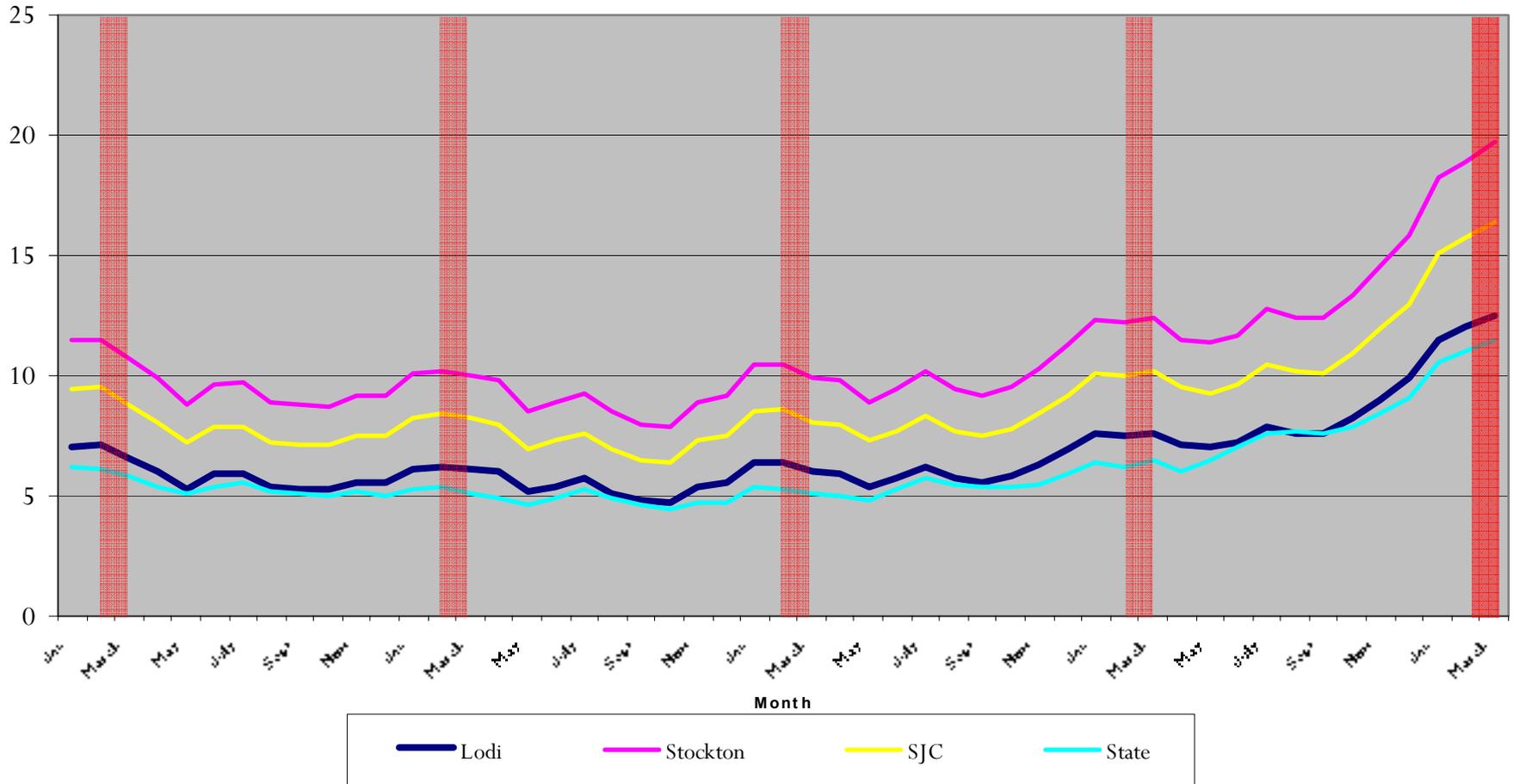
50,800 unemployed people looking for work in San Joaquin County

Source: California Economic Development Department, March 2009 figures

Poor job market



Unemployment rates, Jan. 2005-March 2009



Sales tax in decline

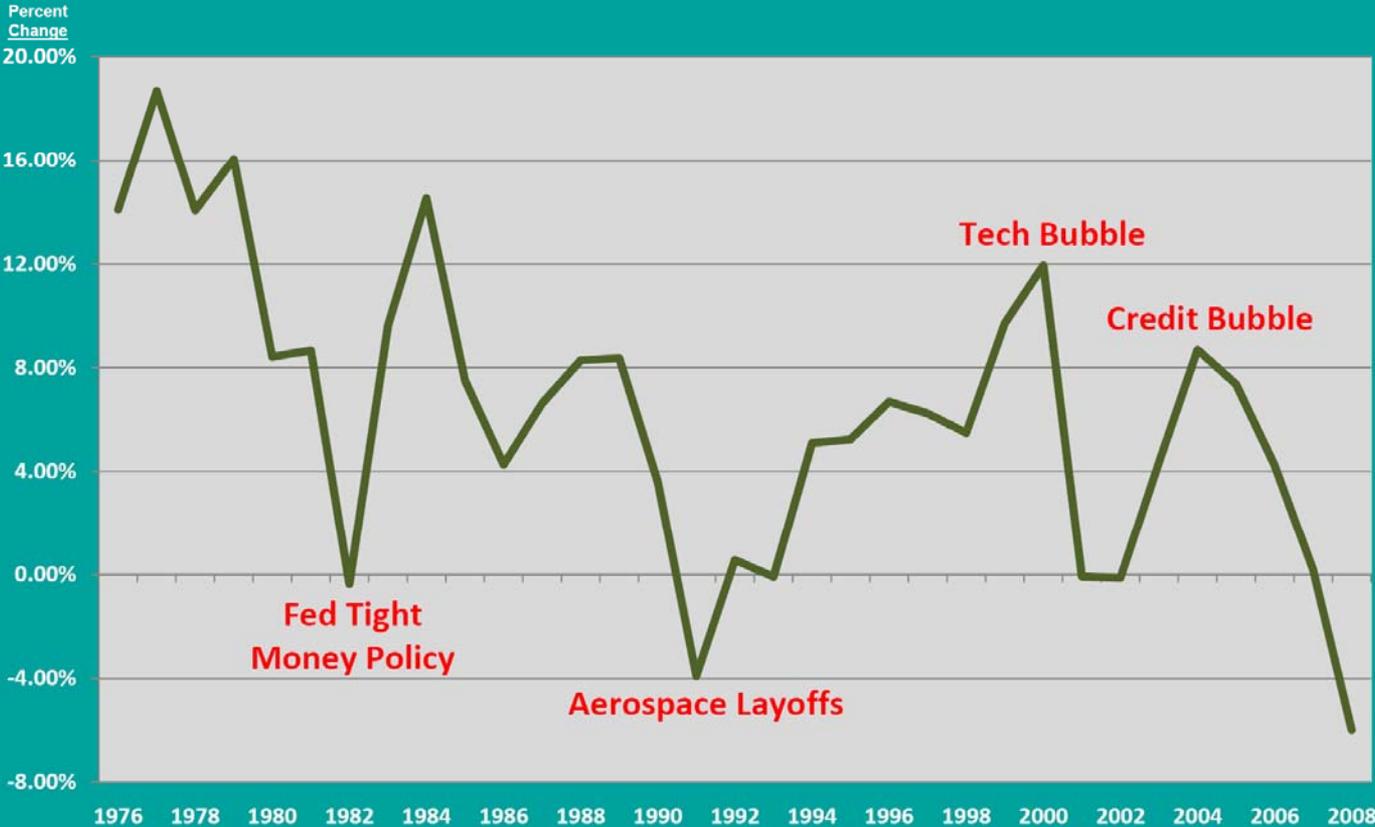


- 16.8% year-over-year decline for fourth quarter of calendar year 2008

Sales tax in decline

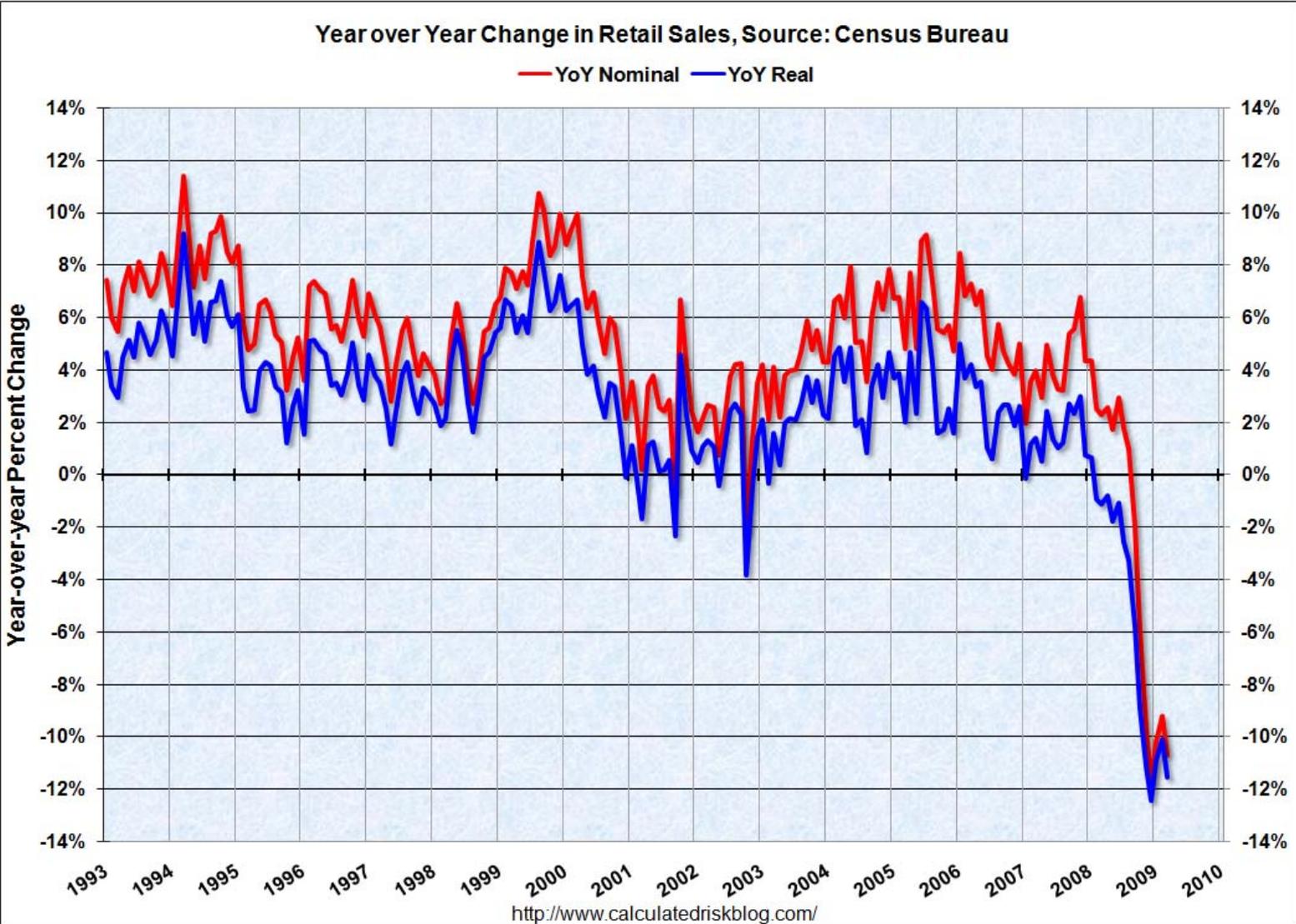


CALIFORNIA SALES TAX YEAR OVER YEAR PERCENT CHANGE



Source: State Board of Equalization, the HDL Companies

Steep drop in retail sales



Business closures



- Geweke Chrysler/Dodge/Kia
- Geweke RV
- Plummer Cadillac/GMC
- Mervyns
- Ace Hardware
- Carrow's
- Mr. Pickles
- Party World
- Frames & Fine Things
- Flower Shop

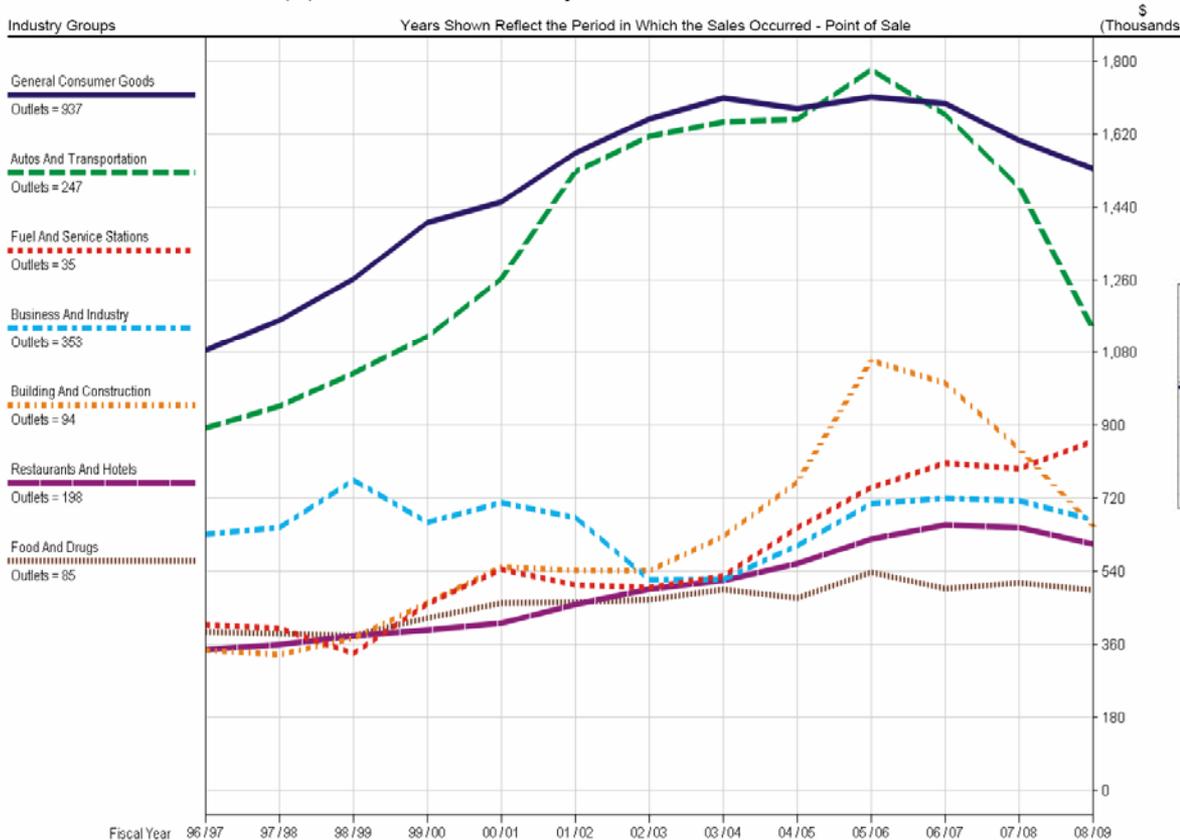
13-year sales history



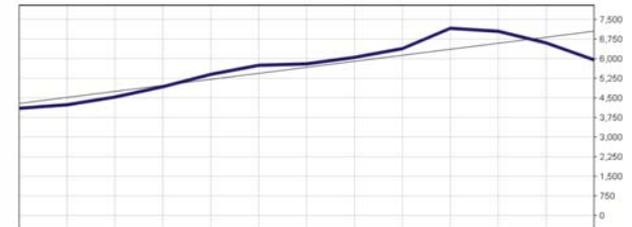
CITY OF LODI MAJOR INDUSTRY GROUPS - 13 YEAR HISTORY

Adjusted by moving retroactive payments with an absolute value of \$5,000 or more into the quarter the sale was generated

Chart Description: This chart compares sales tax for the Major Industry Groups. The prior 12 fiscal years are shown graphically for historical reference purposes. **Allocations have been adjusted to reflect economic data.**



Sales tax revenue
nearly at 2001 levels



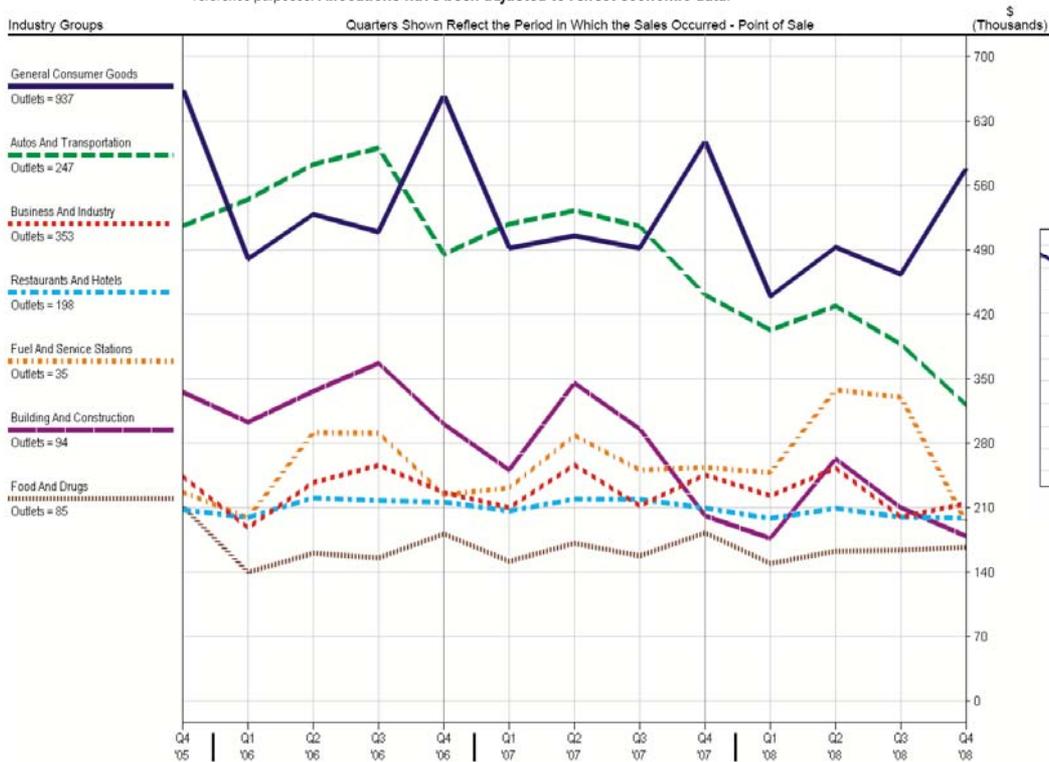
Businesses hurting



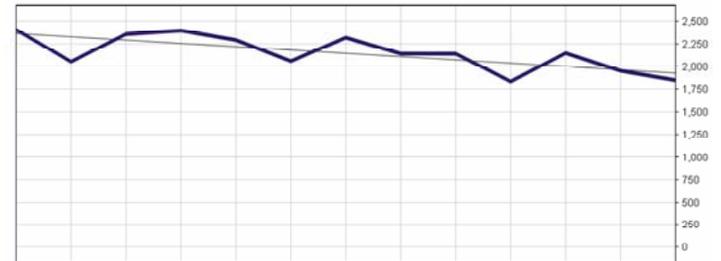
CITY OF LODI MAJOR INDUSTRY GROUPS - 13 QUARTER HISTORY

Adjusted by moving retroactive payments with an absolute value of \$5,000 or more into the quarter the sale was generated

Chart Description: This chart compares sales tax for the Major Industry Groups. The prior 12 quarters are shown graphically for historical reference purposes. Allocations have been adjusted to reflect economic data.



13 quarter trend:
Down 18.3 percent



Property values declining

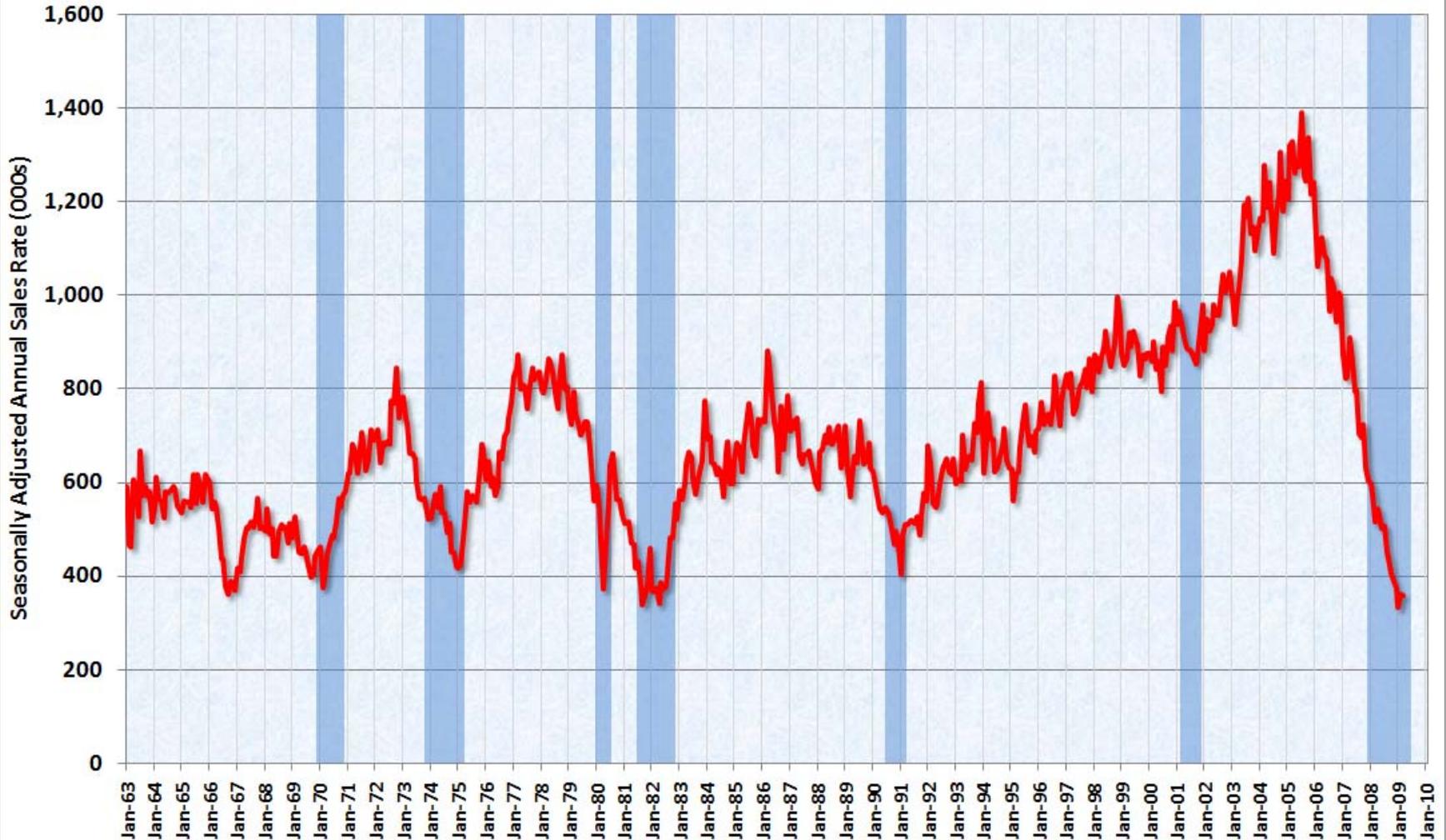


- Down \$640,800 year-to-year in property tax revenue
- Value assessments back to 2003 and even earlier

Little home buying



New Home Sales and Recessions



The State's a mess



- Economic plunge
- Housing market/mortgage crisis
- Credit crunch
- Chronic State budget problems

ERAF shift continues



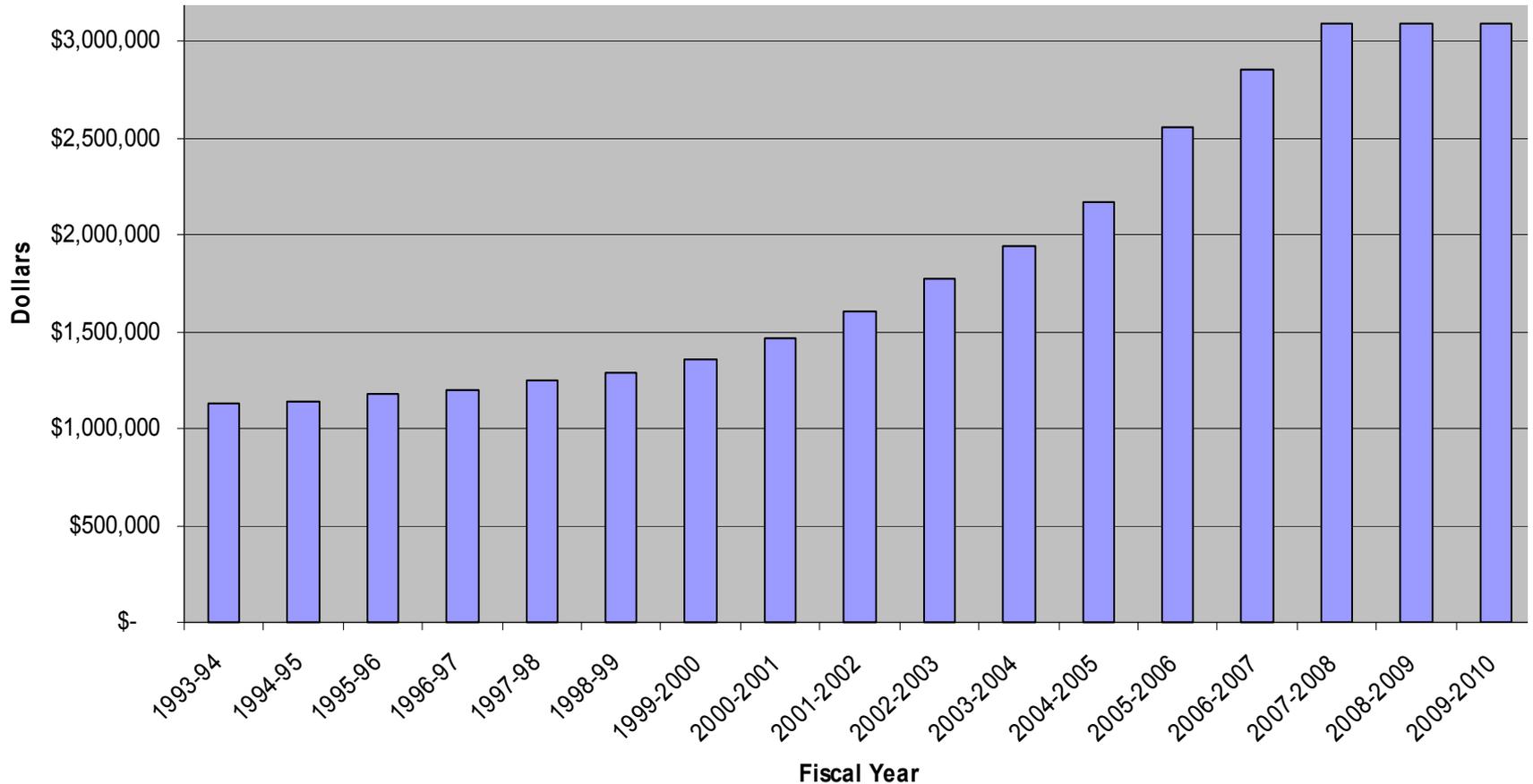
- Annual amount diverted:

\$3,095,166

ERAF shift continues



Educational Revenue Augmentation Fund Funds shifted to schools from City of Lodi



FY 2009/10 Budget

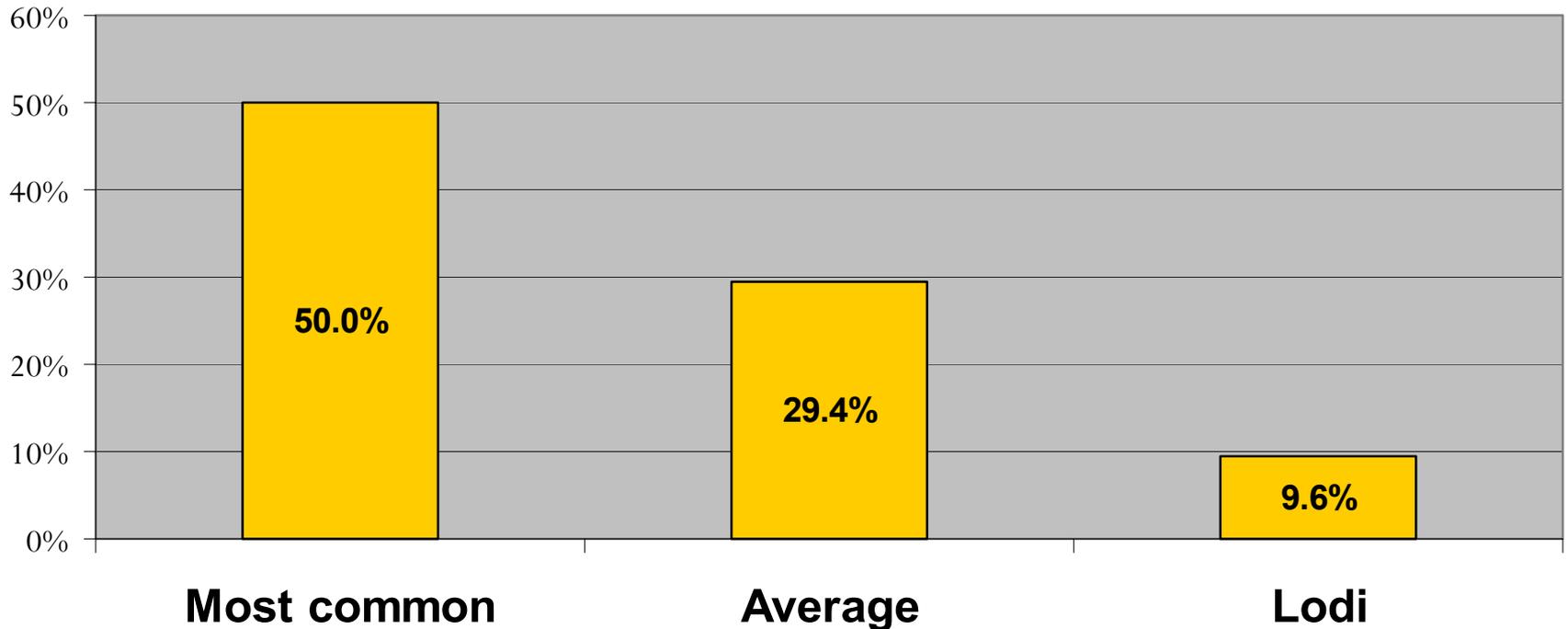


Fiscal sustainability

FY 2009/10 Budget



California cities' General Fund reserve levels

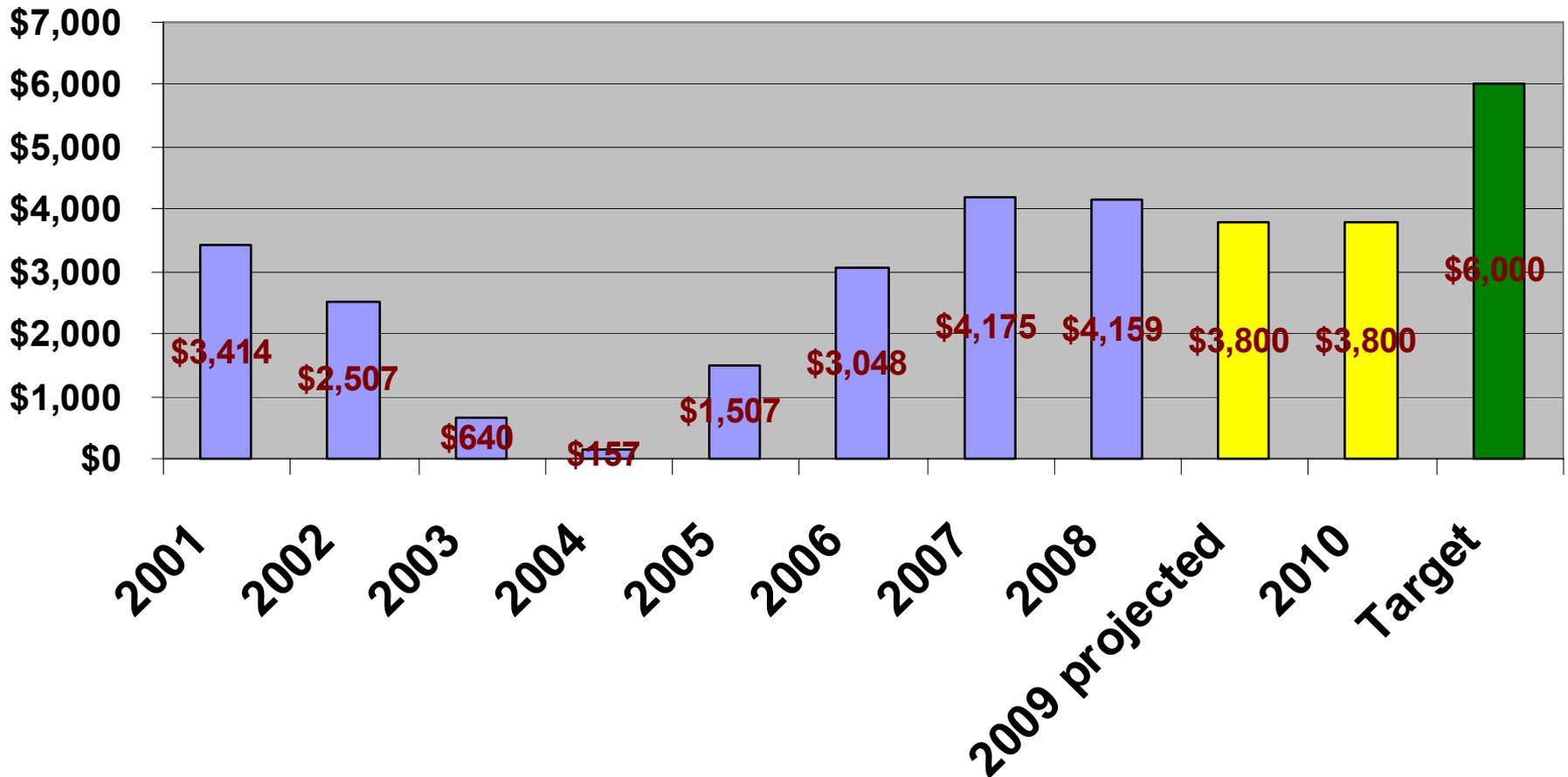


Source: Fiscal officers of California list serve poll (72 cities)

FY 2009/10 Budget



General Fund reserve history



FY 2009/10 Budget



General Fund reserve

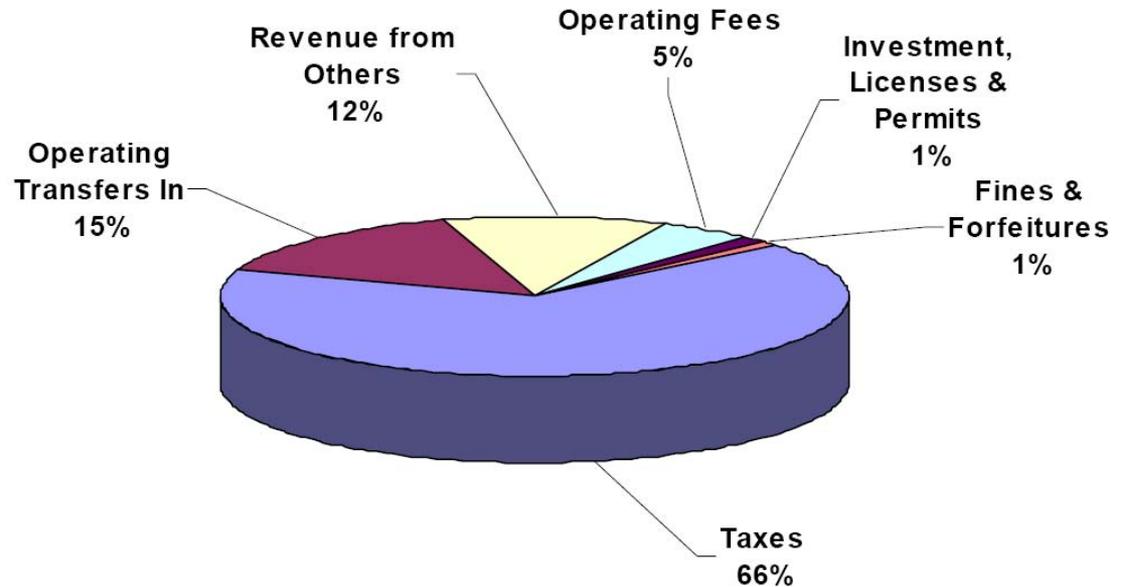
City policy: *Minimum* unrestricted General Fund reserve should equal 15% – \$6 million for FY 2009/10

- Anticipated June 30, 2008 figure was \$4.5 million (11.3%), actual was \$4.2 million (10.5%).
- Projected June 30, 2009: \$3.8 million (9.6%).
- City Council votes for June 30, 2010 reserve goal:
 - \$3.8 million – 3
 - \$4.2 million – 2

FY 2009/10 Budget



General Fund by major sources



General Fund Revenues	Budget 2009-10
Tax Revenues	26,528,675
Operating Transfers In	5,932,983
Revenue from Others	4,681,271
Operating Fees	1,432,032
Investments, Licenses & Permits	520,550
Fines & Forfeitures	384,000
Charges for Services	246,940
Other Revenue	194,450
Grand Total	39,920,901

FY 2009/10 Budget



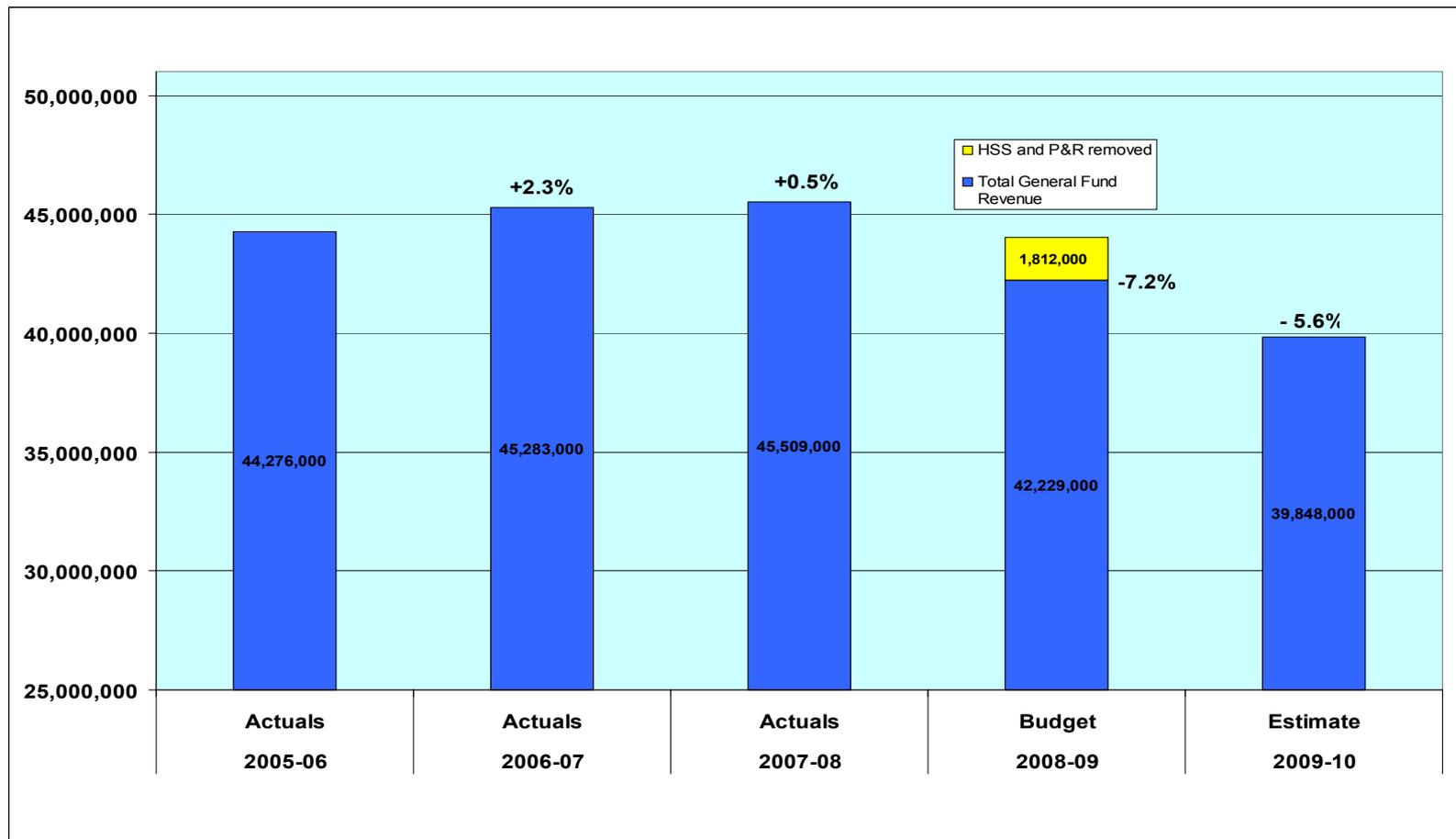
General Fund

- Overall decrease of ~\$2.4M or 5.6%
- Decrease of ~\$5.8M since 2007/08 budget
- Many revenue sources are reflecting the economic downturn

FY 2009/10 Budget



General Fund history



FY 2009/10 Budget



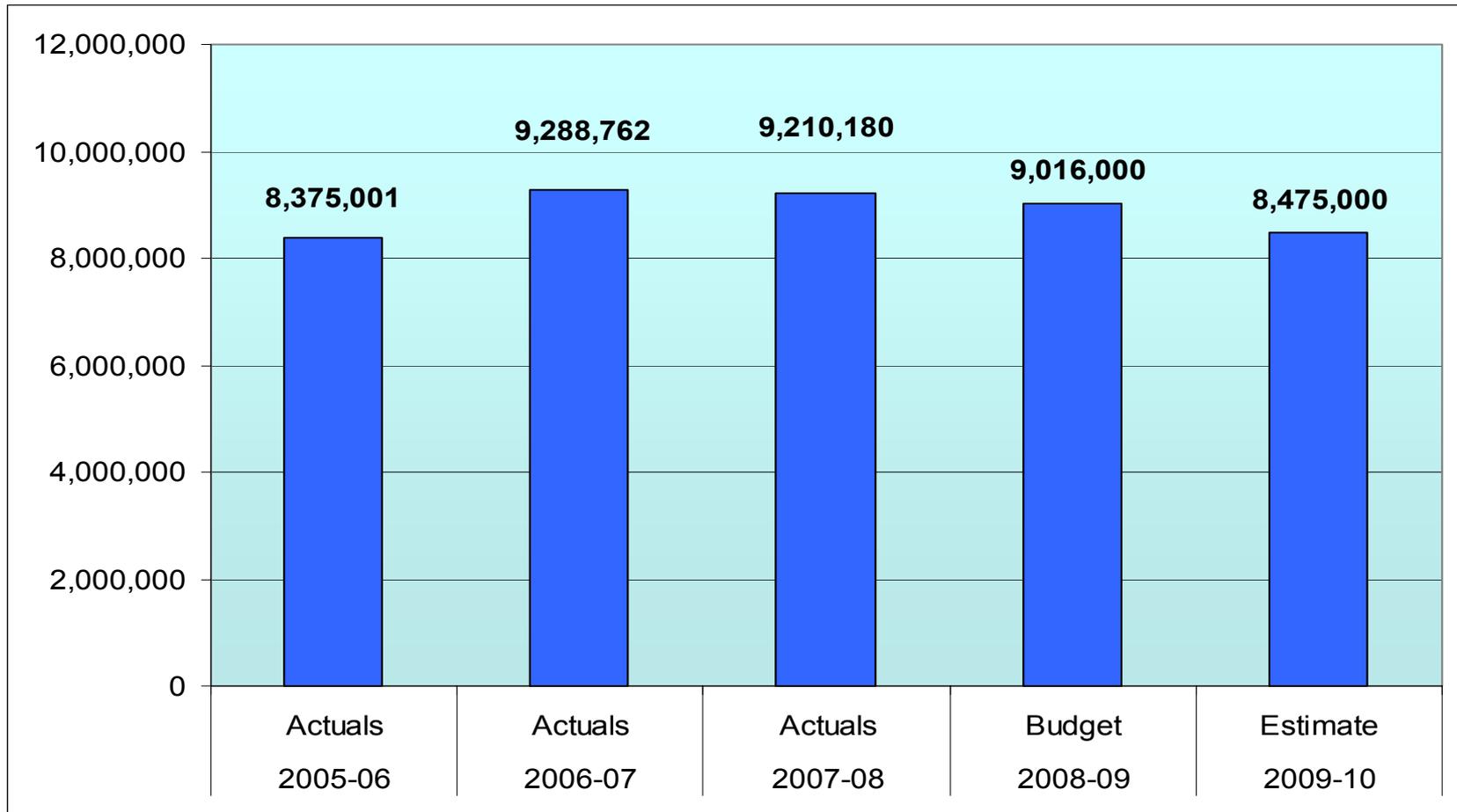
General Fund – major sources

Description	2009-10 Request
5011 Property Taxes-CY Secur	8,475,000
5031 Sales & Use Tax	7,531,000
5081 In-lieu Franchise - E.U.	7,476,670
4210 Operating Transfers In	5,432,983
5499 In-lieu - VLF	4,197,771
5036 Business License Tax	975,000
5051 Waste Removal Franchise	941,500
5207 Late Pmt-Utilities	780,000
5034 Transient Occupancy Tax	476,000
5361 Rent	446,100
5054 Cable TV Franchise	425,000
5201 Veh Code-Moving Viol.	290,000
5032 Public Safety -Prop 172	266,000
5084 Admin fees - CVW	246,940
5602 Sch Drug Suppression	238,000
5053 Gas Franchise	205,000
6121 Engineering Fees	148,282
5035 Real Prop. Transfer Tax	140,000
5494 State Motor Veh In-Lieu	128,000
5040 Card Room Tax	114,750
5971 Fire Dept.Services	100,000

FY 2009/10 Budget



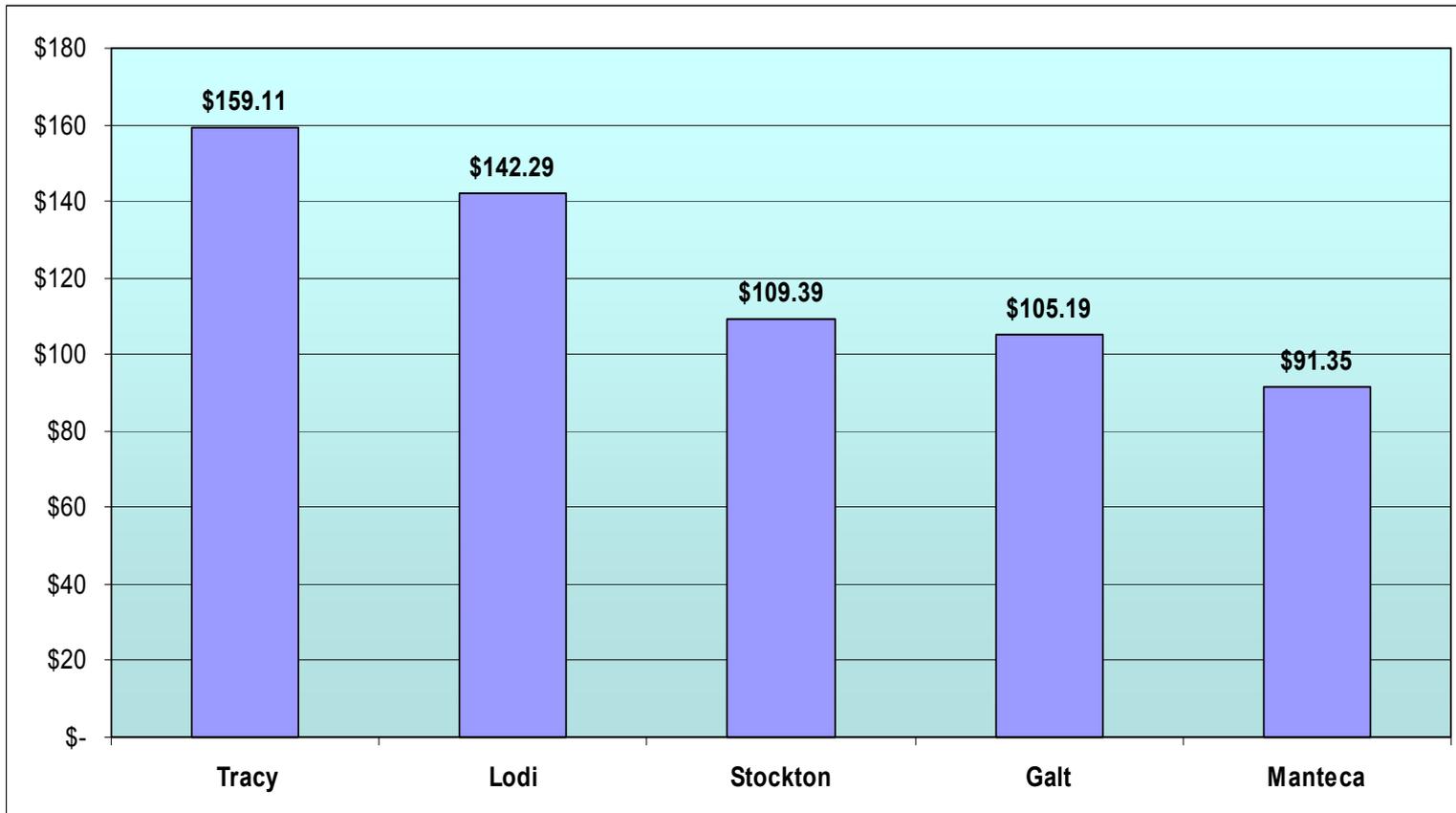
Property Tax



FY 2009/10 Budget



Property Tax Per Capita Comparison – Budget Amounts FY 2008/09



FY 2009/10 Budget



Property Tax

- A government levy, on both real and personal property, based on the market value (as assessed by the County Assessor's office) of the property
- Proposition 13 placed cities in a position of becoming more dependent on funds from the state. This transferred to the state more power over cities than it otherwise would have possessed
- Proposition 8 allows the County Assessor to reduce assessed valuations when market values are lower than assessed values
- County Assessor reduced values in 2008/09 and is also reducing assessed values for the 2009/10 fiscal year
- 6.4% decrease

FY 2009/10 Budget



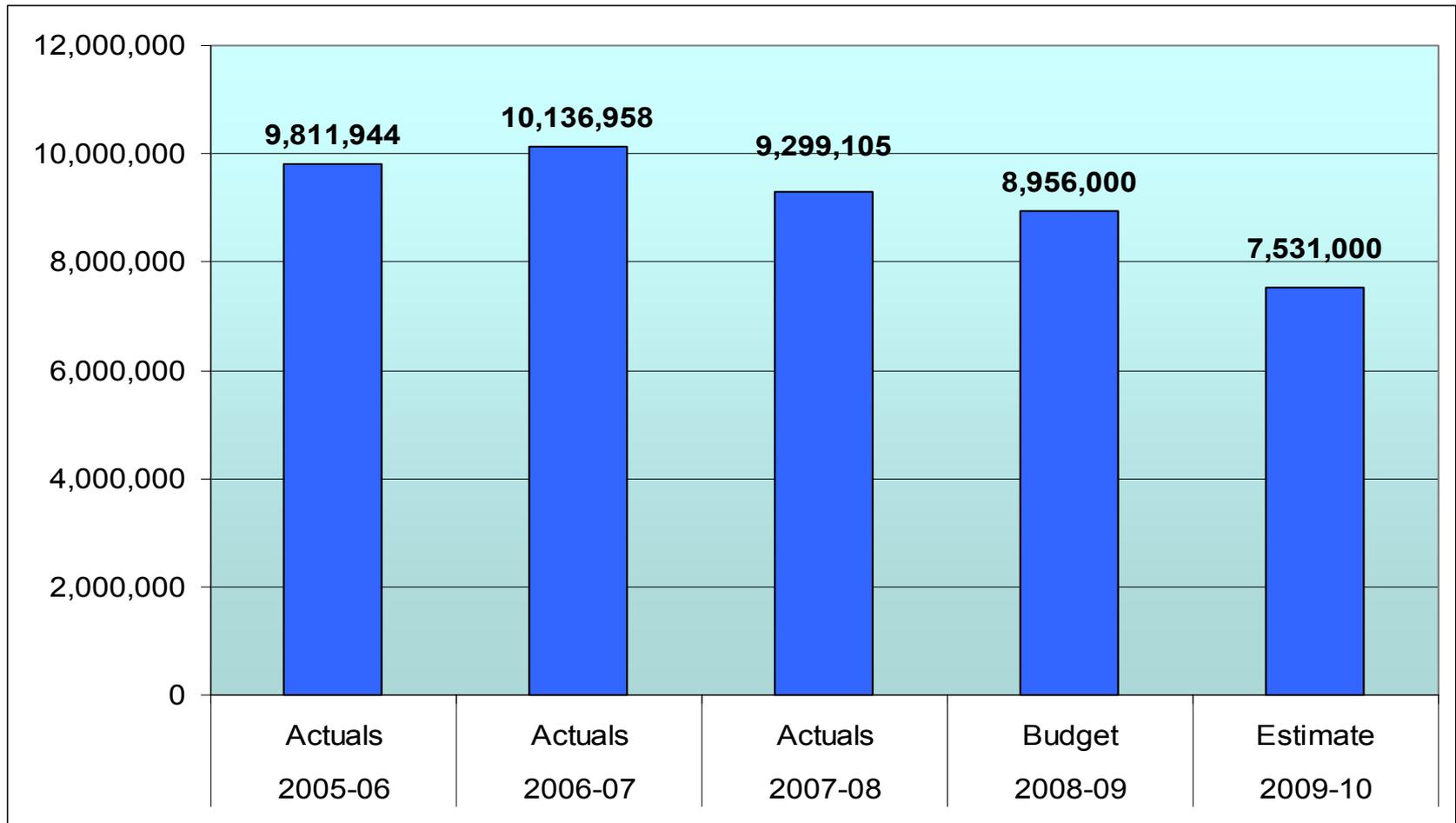
Property Tax Distribution

Taxing Entity	% Share
City of Lodi General Fund	16.6%
LUSD	27.3%
SJ County General Fund	22.0%
Delta College	3.8%
Other	2.6%
ERAF	27.7%

FY 2009/10 Budget



Sales and Use Tax



FY 2009/10 Budget



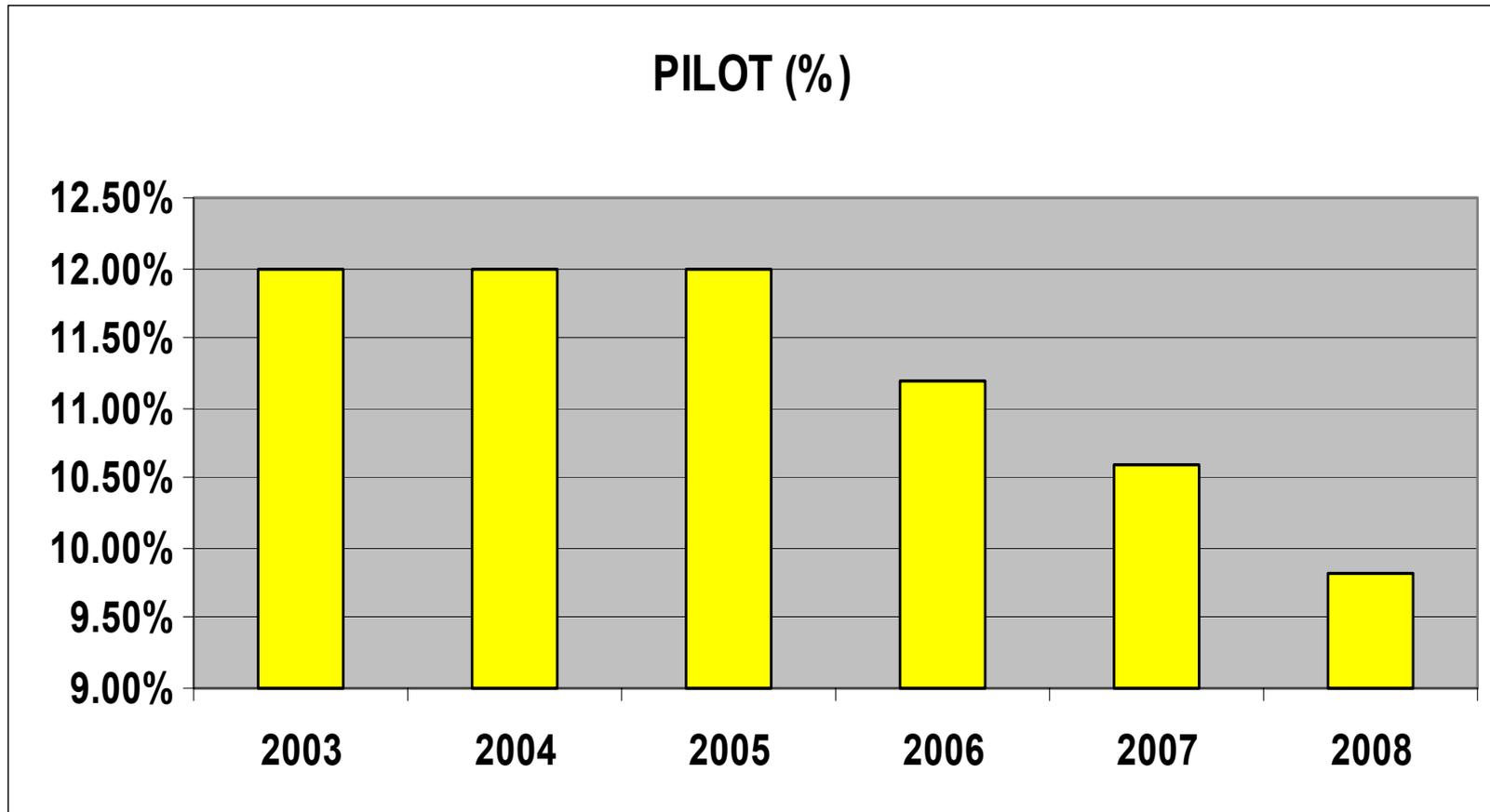
Sales Tax Per Capita Budget Amounts FY 2008/09



FY 2009/10 Budget



In-lieu Franchise – Electric (PILOT)



FY 2009/10 Budget



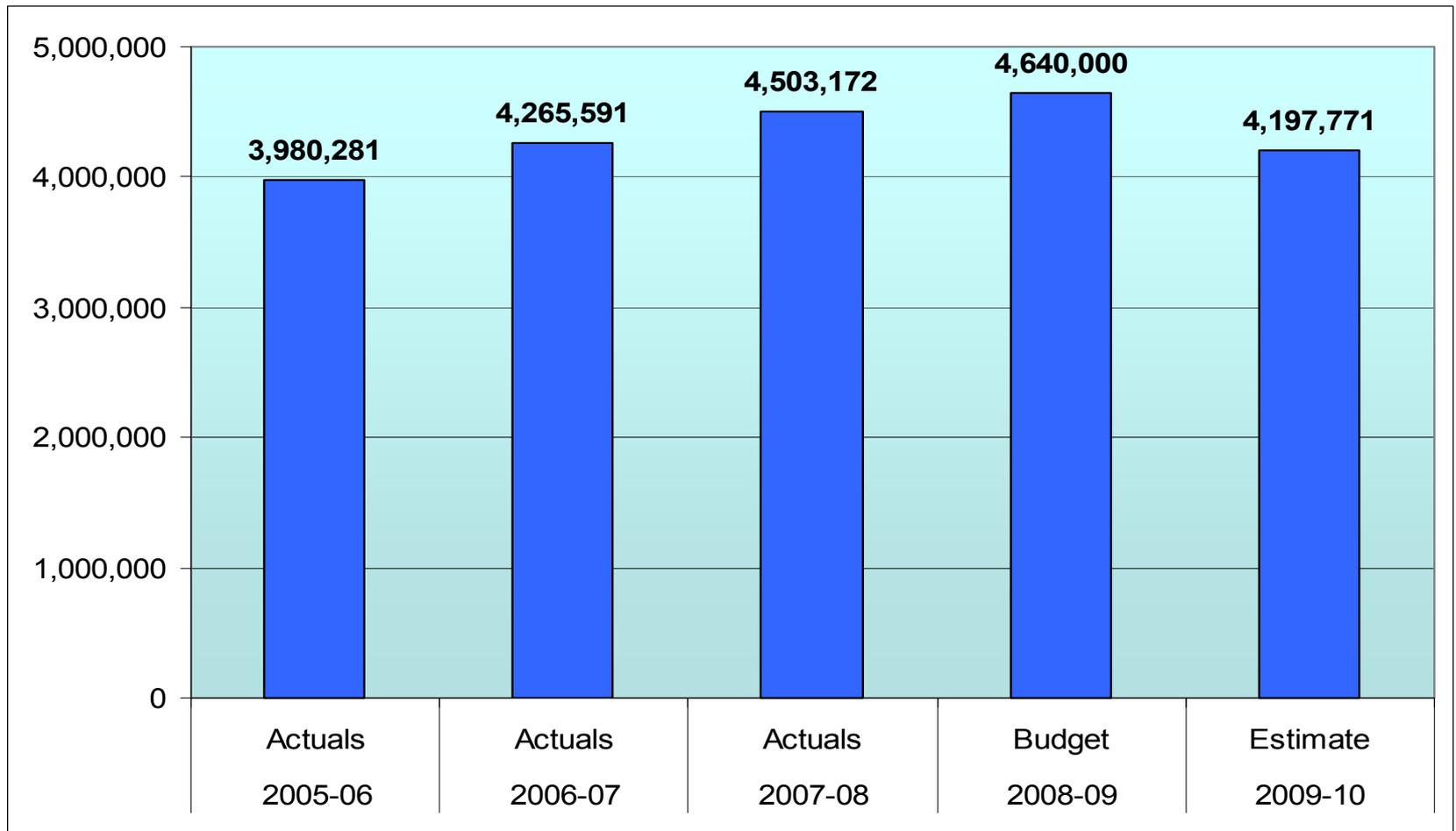
In-lieu Franchise – Electric (PILOT)

- Municipal utilities are extensions of state and local governments - as such, they are generally not subject to federal or state income taxes
- Municipal utilities may provide payments in lieu of taxes (transfers to the general fund and contributions of services to state and local governments)
- PILOT is set by formula adopted by the City Council in 2007
- Formula is \$6,779,000 plus the annual growth in customers
- FY 2009/10 amount includes \$500,000 that was waived in 2005 due to difficult economic times for the Electric Utility

FY 2009/10 Budget



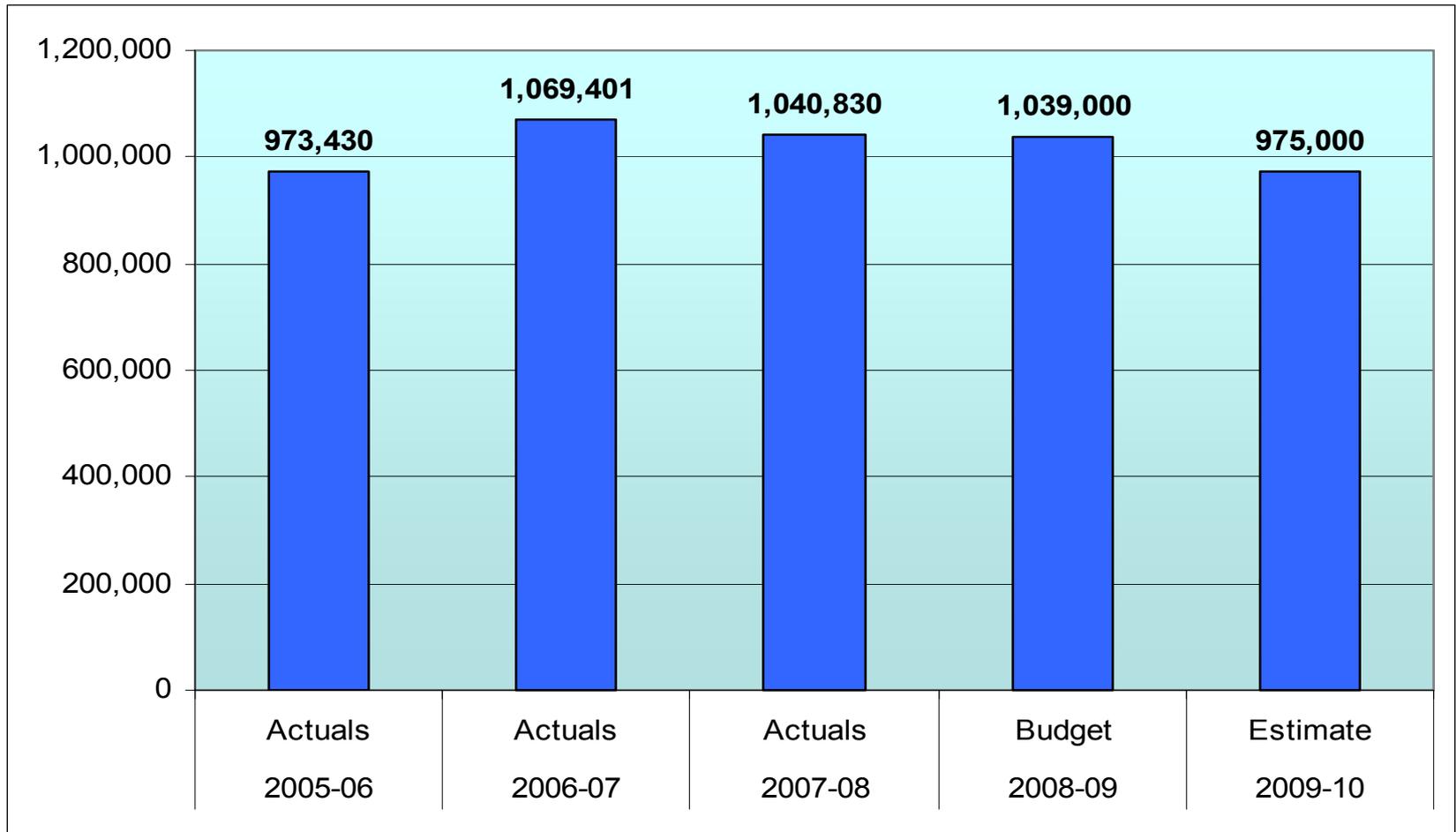
In-lieu Vehicle License Fees



FY 2009/10 Budget



Business License Tax



FY 2009/10 Budget



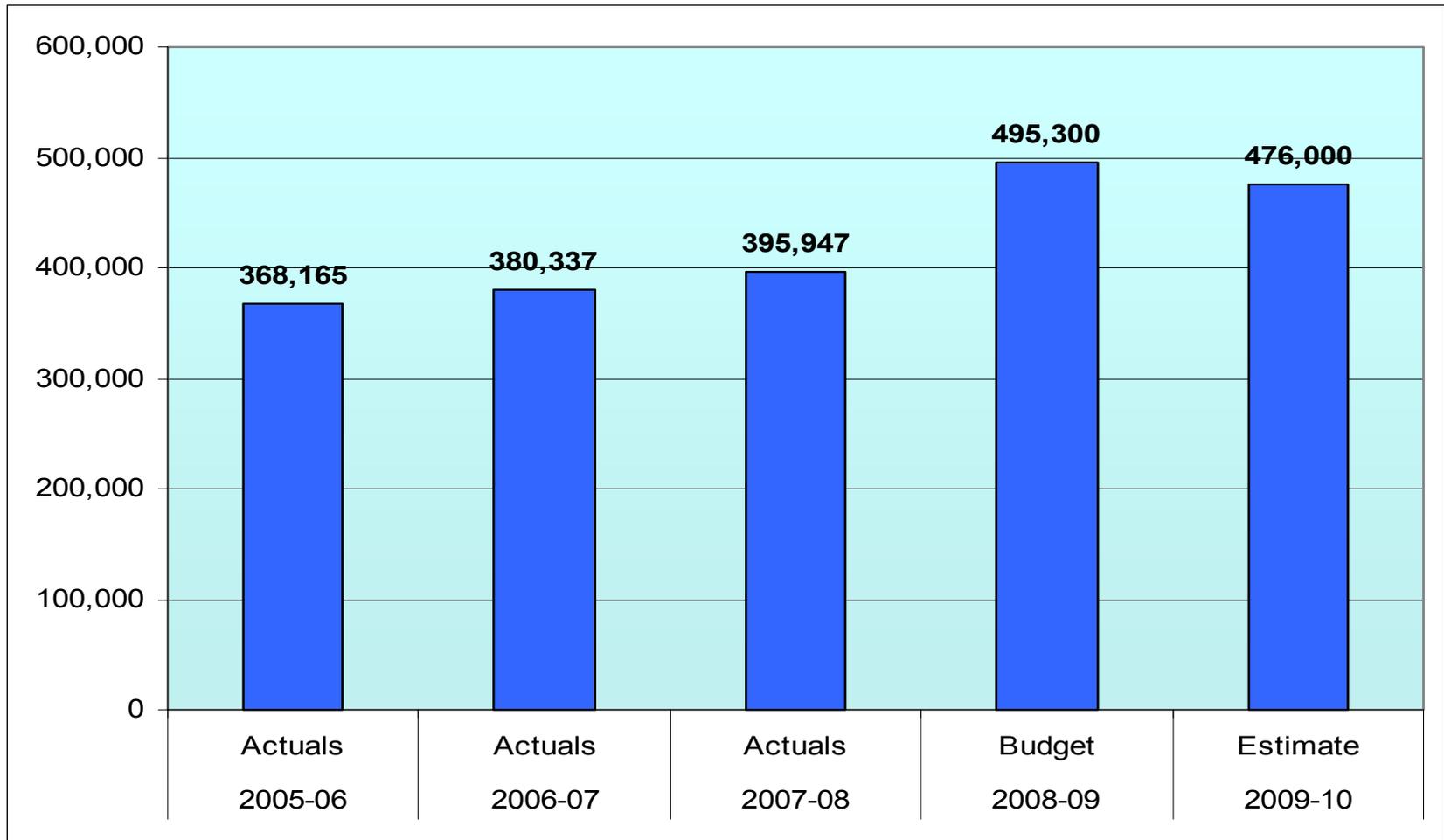
Business License Tax

- Business tax is paid at a rate determined by the business classification established by resolution of the City Council
- The tax rate for all businesses is set by Resolution of the City Council
- The City is seeing a downturn in the number of businesses licensed
- City actively searches for unlicensed businesses
- Expected reduction of 6.5%

FY 2009/10 Budget



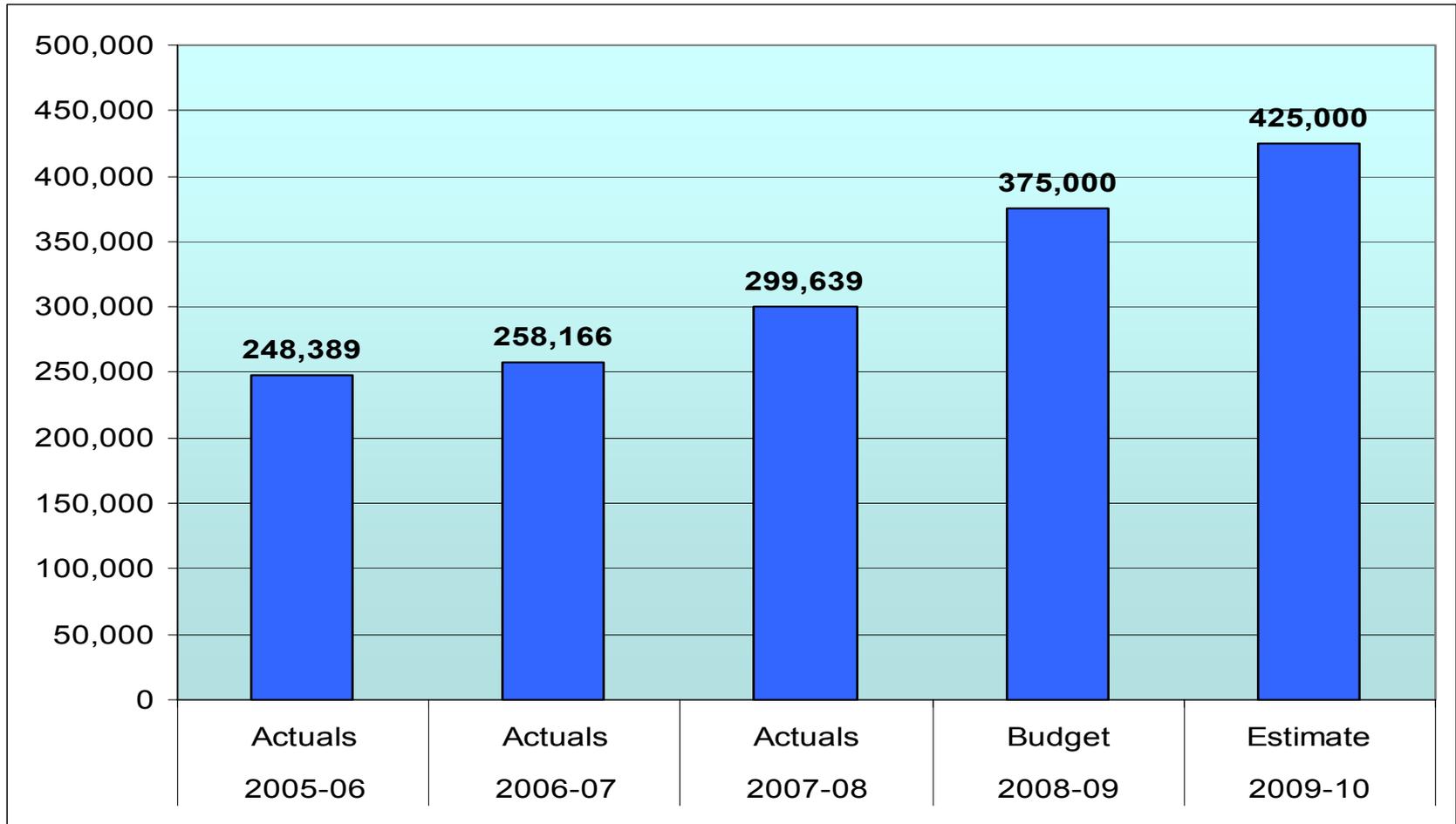
Transient Occupancy Tax



FY 2009/10 Budget



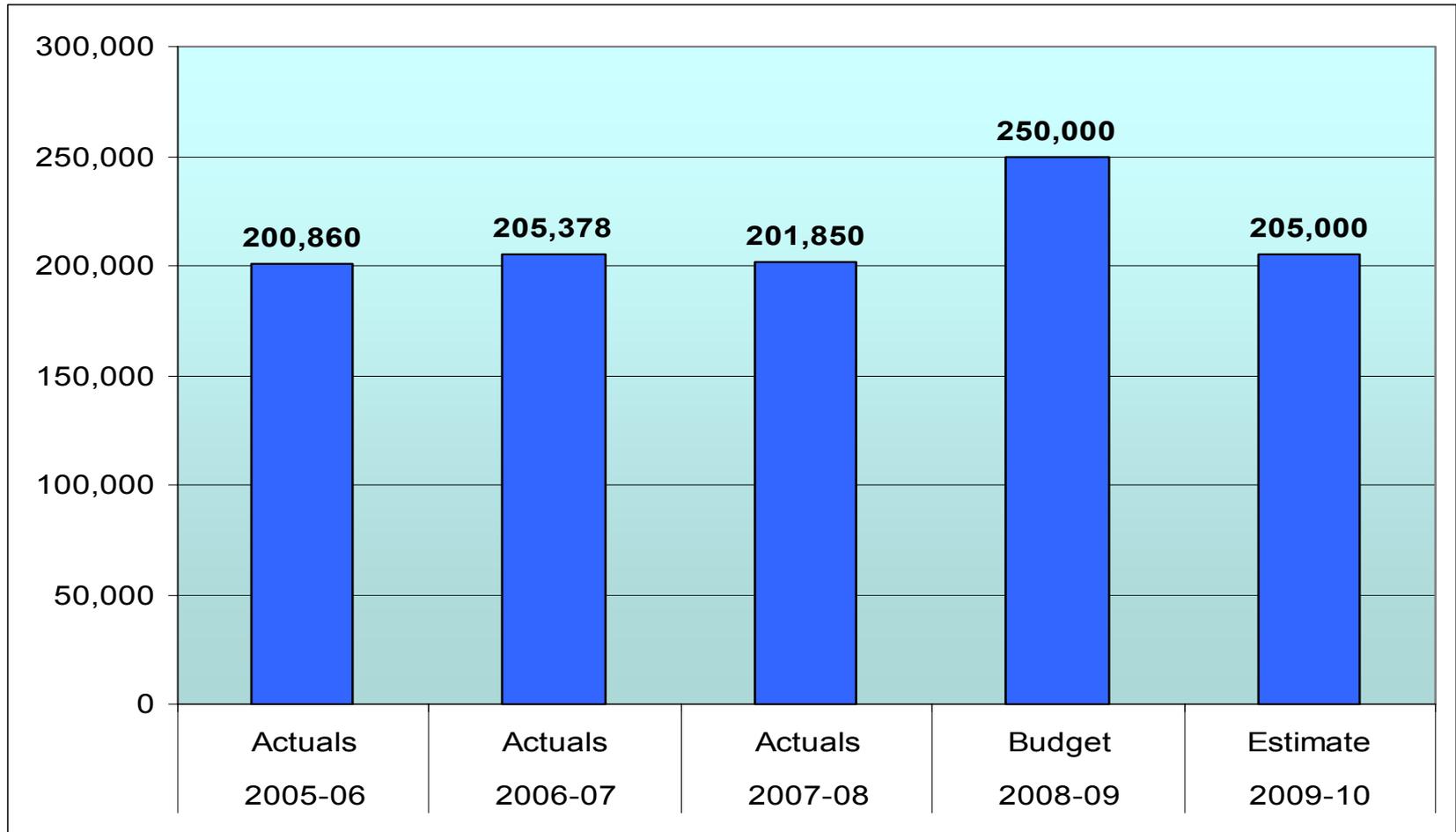
Cable TV Franchise



FY 2009/10 Budget



Natural Gas Franchise



FY 2009/10 Budget



Department	2008/09 Ratio	2009/10 Proposed Budget	2009/10 Ratio	Change 2008/09 vs. 2009/10	Ratio Change
City Clerk	1.35%	\$548,540	1.37%	(\$29,271)	0.02%
City Manager	1.39%	\$538,610	1.35%	(\$9,404)	-0.04%
City Attorney	1.22%	\$462,890	1.16%	(\$40,252)	-0.06%
Internal Services Department Total	9.44%	\$3,667,493	9.19%	(\$71,060)	-0.25%
Non-Departmental	4.50%	\$2,241,933	5.62%	\$21,893	1.12%
Economic Development	1.24%	\$477,627	1.20%	(\$43,865)	-0.04%
Police	36.84%	\$15,005,058	37.59%	(\$716,418)	0.75%
Fire	21.99%	\$8,696,662	21.78%	(\$803,812)	-0.21%
Public Works	5.82%	\$1,962,141	4.92%	(\$280,284)	-0.90%
Parks	5.74%	\$2,251,918	5.64%	(\$144,189)	-0.10%
Library	3.45%	\$1,352,031	3.39%	(\$111,043)	-0.06%
Community Development	0.54%	\$213,100	0.53%	(\$17,503)	-0.01%
Community Center	2.98%	\$1,166,095	2.92%	(\$95,777)	-0.05%
Recreation	1.26%	\$494,132	1.24%	(\$40,583)	-0.02%
Streets MOE	2.24%	\$842,671	2.11%	(\$108,267)	-0.13%
Total	100.00%	\$39,920,901	100.00%	(\$2,489,835)	