

Tuesday, May 3, 2010, 7:00 p.m.

City Council Chambers, 333 Civic Center Plaza

Web Site: www.ci.tracy.ca.us

Mayor Ives called the meeting to order at 7:00 p.m. and led the Pledge of Allegiance.

The invocation was given by Pastor Scott McFarland, Journey Christian Church.

Roll call found Council Members Abercrombie, Elliott, Rickman, Mayor Pro Tem Maciel, and Mayor Ives present.

Leon Churchill, Jr., City Manager, presented the Employee of the Month award for May 2011, to Carol Gorrie, Finance Department.

Mayor Ives presented a proclamation to Pippa Scolari, a senior resident of Tracy, recognizing May as "Older Americans Month."

Mayor Ives presented a proclamation to David De Santis, Central Valley Velo Bike Club, recognizing May 19, 2011 as "Bike to Work Day" in Tracy.

Mayor Ives recognized D.A.R.E. graduates from Hawkins and Jefferson Elementary Schools.

1. CONSENT CALENDAR - Following the removal of item 1-A by Mayor Pro Tem Maciel, it was moved by Council Member Abercrombie and seconded by Council Member Elliott to adopt the Consent Calendar. Roll call vote found all in favor; passed and so ordered.
 - B. Approve Memorandum of Understanding (MOU) with Tracy Friends for Parks, Recreation and Community Services Foundation and Authorize the Mayor to Execute the MOU – Resolution 2011-087 approved the MOU.
 - C. City Council's Approval of a Resolution Authorizing the Submission of an Application for State of California Proposition 84 Statewide Park Program Grant Funds – Resolution 2011-088 approved submission of the application.
 - D. Approve Amendment 2 to the Professional Services Agreement with Schack & Company, Inc., of Tracy, California, to Provide Additional Services for the Corral Hollow Road Widening Project – CIP 73014, from Grant Line Road to the West Valley Mall Entry – Resolution 2011-089 approved amendment 2 for a not to exceed amount of \$26,975.
 - E. Award a Construction Contract for the Traffic Signal Pole Replacement at Holly Drive and Eleventh Street Project – CIP 72077, to Richard A. Heaps Electric Inc., of Sacramento, California, and Authorize the Mayor to Execute the Contract – Resolution 2011-090 awarded the construction contract in the amount of \$19,470.

- F. Approve Resolution Authorizing a Leave of Absence for Tracy Transportation Advisory Commissioner Joseph Orcutt – Resolution 2011-091 approved the leave of absence.
- G. Approval for the Mayor to Sign a Letter Opposing AB 438 which Requires Voters to Approve a City Council's Decision to Provide Library Services through a Private Contractor – Letter opposing AB 438 was approved.
- H. Adopt a Resolution Amending the Department Heads Compensation and Benefits Plan by Extending the Term of the Plan, Requiring Employee Contribution Toward Pension Costs, Reducing City Paid Deferred Compensation, Instituting Furloughs and Authorizing the City Manager to Enter into Severance Agreements – Resolution 2011-092 approved amending the Department Head compensation and benefits plan.
- A. Minutes Approval -Mayor Pro Tem Maciel stated the minutes of March 1, item 4 regarding the D.A.R.E. program incorrectly reflect the reason Council directed a reduction in the City's contribution from \$60,000 to \$45,000 a year was "due to the worsening economic conditions." Mayor Pro Tem Maciel stated the statement was incorrect; that it was due to a staff suggestion. Mr. Churchill indicated Mayor Pro Tem Maciel's understanding was correct. Daniel Sodergren, City Attorney, stated the minutes of March 1 would be verified and brought back to Council for adoption.
2. ITEMS FROM THE AUDIENCE - Tom Benigno, 2473 Angora Court, addressed Council regarding item 9, "Consider the Adoption of a Resolution Recommending the California Citizens Redistricting Commission place San Joaquin County in one Congressional, Assembly, and State Senate District" which was approved at the April 19, 2011, Council meeting. Mr Benigno had requested the item be pulled because the full Council was not present. Mr. Benigno suggested all Council members be present when considering legislation that affects the City, especially when it involves redistricting.
3. PUBLIC HEARING TO AWARD A FACILITY FINANCING CONTRACT (DESIGN-BUILD) FOR THE CIVIC CENTER SOLAR PANEL INSTALLATION PROJECT – CIP 71068 - Kul Sharma, City Engineer, presented the staff report. Mr. Sharma stated the City was awarded an Energy Efficient and Conservation Block Grant (EECBG) of \$571,600 from the Department of Energy to install solar panels on Civic Center buildings.

The State of California Government Code allows local agencies to award Facility Financing contracts to complete design and construction of such projects to qualified individuals or firms by conducting a public hearing with at least two weeks notice. The City issued a Request for Proposals (RFP) and met with perspective proposers. Due to the complexity of the grant funding and proposal requirements, the deadline for the RFP has been extended by 10 days. As a result, the proposals will not be received until after the May 3, 2011 City Council meeting. Therefore, staff requested that the Council open the public hearing and continue it to the next regularly scheduled City Council meeting to be held on May 17, 2011.

Mayor Ives asked who would be responsible for ensuring the architecture was not compromised when solar panels were placed on civic buildings. Mr. Sharma stated multiple locations were considered, including the roof of the civic center building near the existing heating and air conditioning unit which is not visible from the street.

Council Member Elliott asked how large the panels were and if they would be built into the roof. Mr. Sharma stated the panel types have not been specified, but would be connected to the structural members of the roof.

Mayor Pro Tem Maciel asked if the panels were fixed. Mr. Sharma stated the panels would be fixed and the City would be responsible for maintaining them.

Mayor Ives opened the public hearing.

Robert Tanner, 1371 Rusher Street, stated receiving a grant is great and asked if staff had estimated any savings once the panels were installed. Mr. Sharma stated the proposers would be required to provide the life cycle of the panels and the anticipated savings.

Mr. Tanner asked if PG&E still had a buyback program for excess energy. Mr. Sharma stated it was a requirement of the proposer to work with PG&E, but the City did not anticipate any excess electricity going back to PG&E.

It was moved by Council Member Abercrombie and seconded by Council Member Elliott to continue consideration of the award of a Facility Financing Contract for the Civic Center Solar Panel Installation to the May 17, 2011 City Council meeting. Voice vote found all in favor; passed and so ordered.

4. THAT COUNCIL DISCUSS AND ACCEPT THIS UPDATE REPORT BY THE POLICE DEPARTMENT STAFF REGARDING THE PROGRESS OF THE VIOLENT CRIME AND GANG SUPPRESSION PLAN - Lieutenant Farmanian presented the staff report. The Police Department has implemented the following program as previously outlined to Council with some scheduling modifications. The four prong approach has focused on improving Enforcement, Intervention, Education, and Communication. Since January of 2011, the Police Department has:

- Reshaped the Directed Patrol Unit to consist of a six Patrol Officer team
- Directed Patrol Team (DPU) formed a direct link with Gang And Narcotics Enforcement Team (GNET) as a liaison to patrol
- Increased the number of gang related contacts and documentation
- Trained three V.I.P.S. to update and manage Cal Gang files
- Purged and updated the internal gang files at the Police Department
- Coordinated training for several officers to access the Cal-Gang system as an investigative tool
- Scheduled monthly meetings with Mayor's Community Youth Support Network (MCYSN), School Resource Officers, Gang & Narcotics Enforcement Team and Crime Prevention
- Coordinated and scheduled semi-monthly meetings with adult and juvenile probation in an effort to streamline communication and enforcement efforts

- Organizing a team of instructors to train and teach Gang Resistance Education and Training (GREAT) to include a Juvenile Probation Officer targeting elementary and middle school students (Grades 4 and 6-7)
- Crime Analyst provides weekly updates and temporal maps on gang related contacts and enforcement activity
- Juvenile probation is posting weekly updates to the juvenile probation list through the Police Department's Intranet
- GNET and General Investigations Unit (GIU) conducted five presentations to schools and service providers. Through this plan, the Tracy Police Department has taken a number of steps to increase its overall efforts to interdict violent crime and criminal gang activity and discourage conduct that interferes with the quality of life in the City
- First quarter contacts with documented gang members represent the total number of contacts by both the DPU and the Patrol Officers.

The Tracy Police Department's internal database on documented gang members was reviewed, updated and out of date information purged in compliance with Department of Justice guidelines. The Department of Justice requires agencies to purge any gang intelligence files if an individual has not had a gang related contact within a five year period, therefore these numbers are constantly fluctuating.

The database contains the names of 750 individuals who have come into contact with Tracy Police officers at least once during the past five years. Of the 750 documented gang members, 115 were juveniles and 635 were adults. While these individuals were contacted in Tracy and were entered into the City's database, this should not be construed as the number of documented gang members who actually reside in Tracy.

The mission of the Violent Crime and Gang Suppression Operation remains the same - to provide high police visibility, strong enforcement, and regular contacts with individuals suspected of committing crimes of violence or being involved in gang related activity. Long-term goals will continue to focus on education and intervention as well as continually improving communication with all stakeholders.

Staff members from the Tracy Police Department met with representatives from the community, Gang Resistance Education and Training (GREAT), MCYSN, and the Tracy Unified School District (TUSD) to begin the process of researching and implementing an educational program targeting positive life skills and gang resistance training for specific age levels and parent groups. This group plans to implement GREAT at one school as a pilot program during the 2011-2012 school year. The City and Tracy Police Department will confer with TUSD before making a determination on which school and grade level will receive GREAT training.

First quarter costs are not an accurate reflection of the actual costs of the program due to changes in the staffing model. Based on data since the modification was made, an estimated annual cost to operate the program fulltime is \$125,000.

All instructor and classroom materials for the GREAT program are paid for by the Department of Justice. The Tracy Police Department will contribute a minimum of two sworn officers to teach this program in one school during the 2011-2012 school year and will absorb any personnel costs within its approved FY 11-12 budget.

Staff recommended that the Council accept this updated report as it relates to the violent crime and gang suppression detail, and provide direction to staff regarding future briefings.

Council Member Abercrombie referred to the fiscal impact of \$125,000 in annual costs and asked what was costing the most. Lt. Farmanian stated back-filling patrol and overtime costs.

Council Member Abercrombie inquired who would be teaching the GREAT program and to what grade level. Lt. Farmanian stated three Tracy officers and one probation officer are scheduled for training. Chief Thiessen stated the City is working with a community member who has a number of probation officers who are interested in participating. Chief Thiessen stated they were in the process of meeting with TUSD, and exploring whether it would be offered to 4th, 5th, 6th, or 7th grade students.

Council Member Elliott asked if the \$125,000 included graffiti abatement. Chief Thiessen stated no.

Mayor Pro Tem Maciel asked if the abatement program was for gang and non-gang related graffiti and if it was prioritized. Chief Thiessen stated the City deals with abatement across the board, whether or not it's gang related. If the graffiti is on City property it is cleaned up within 24 hours.

Mayor Pro Tem Maciel asked if staff had determined what percentage is tagging and what is gang related. Chief Thiessen stated she would have to see how the data is gathered. Chief Thiessen stated pictures are taken, and compared with information on students' notebooks, etc. Chief Thiessen added a number of tagging crews who operated in Tracy have been taken down.

Mayor Ives asked for clarification regarding what is a "contact." Sgt. Farmanian stated it is any type of contact that involves a gang.

Mayor Ives asked if the \$125,000 is a planned sustained amount and if it is included in next year's budget. Mr. Churchill stated it was a sustained commitment and will be in the upcoming budget.

Mayor Ives invited members of the public to address Council on the item. There was no one wishing to address Council on the item.

Mayor Pro Tem Maciel thanked the Chief and the Tracy Police Department for their efforts. Mayor Pro Tem Maciel stated it was a positive step that supervisors are recommending officers to engage in this effort.

Council Member Elliott stated it was excellent program and he was happy to see the education and intervention aspect of the program. Council Member Elliott stated this was another program to give kids more defenses against the negative influences they face everyday.

Mayor Ives stated it was important to him that the metrics shown here be the same set of metrics at the next presentation. Mayor Ives further stated you could add to, but that he would like them to be consistent. Mayor Ives asked when the item was coming back.

Chief Thiessen suggested coming back in six months to allow for trends and seasonal activity.

Council accepted the report and recommended staff return with updates for Council every six months.

Chief Thiessen stated if the City was successful in getting the community gang assessment, it would help the City to gather better data.

5. AUTHORIZE A PROFESSIONAL SERVICES AGREEMENT IN THE AMOUNT OF \$45,000 BETWEEN THE CITY OF TRACY AND THE TRACY UNIFIED SCHOOL DISTRICT TO PROVIDE 5TH GRADE DRUG ABUSE RESISTANCE EDUCATION (DARE) SERVICES FOR FISCAL YEAR 2010-2011 AND AUTHORIZE THE MAYOR TO EXECUTE THE AGREEMENT - Council Member Abercrombie recused himself from consideration of the item and left the dais.

Captain John Espinoza presented the staff report. The Council has held two public discussions at the July 20, 2010, and March 1, 2011 council meetings on the effectiveness of the Drug Abuse Resistance Education (DARE) program in Tracy and the appropriate funding level the City intends to continue going forward. The Council concluded that the DARE program does have value to the Tracy community and has endorsed its continuance in the Tracy schools. There was much public commentary in support of the DARE program and the Council committed to allocating \$45,000 for FY 2010-11 authorized expenses.

During FY 2010-11, DARE incurred expenses of \$109,000 in providing the program to 5th grade students in the Tracy Unified, Jefferson, Banta, New Jerusalem, and Lammersville school districts, as well as three private schools. Council has appropriated \$45,000 to be paid to the Tracy Unified School District (TUSD) for DARE classes taught in public schools within the city limits. The City's funds will not include any compensation for instructors. The balance of DARE's operating expenses will be covered by the DARE Advisory Board's fundraising efforts.

The DARE curriculum takes 10 weeks to complete and concludes with a DARE graduation ceremony where dignitaries are invited to participate and disperse the various awards to the students. Functionally, the DARE program is taught in three cycles over the course of the school year. In August, the DARE program begins its annual cycle by teaching classes in Mountain House and Banta and, in September, it begins in TUSD schools. The first cycle ends with DARE graduations in October and November. In October, the second cycle of DARE instruction begins in TUSD and New Jerusalem schools and their respective graduations occur in January. Then in February the third cycle of classes begins in more TUSD schools as well as Jefferson schools and private schools. These last graduations of the year occur in April and May. Tracy police command staff members have attended every DARE graduation within the City limits during the current school year.

During this fiscal year, 1400 students were taught the DARE curriculum at 13 schools. City funding was only authorized for TUSD schools within the city limits.

Schools receiving D.A.R.E.	# of students taught	Program completed
Bohn School	96	Nov. 2010
Central School	70	Nov. 2010
Freiler School	100	Feb. 2011
George Kelly School	134	Feb. 2011
Hawkins School	96	April 2011
Hirsch School	125	Feb. 2011
Jacobson School	135	Nov. 2011
Jefferson School	100	April 2011
McKinley School	87	Nov. 2010
North School	90	Nov. 2010
South School	175	May 2011
Traina School	96	April 2011
Villalovoz School	96	Nov. 2010

The DARE program has also been used as a platform to encourage greater social responsibility among the students by encouraging community service. To this end, the DARE program has initiated a contest between the various schools to promote community service time and to publish the results on LuckyKatTV.com for all Tracy area schools. For example, the students at one school alone earned over 40,000 points this school year. Students can earn points in a variety of ways. A sampling is offered as follows:

- Brighter Christmas and Inter-faith Ministries – over nine tons of food donated
- Inter-faith Ministries - 30 pick-up loads of clothing donated
- Public library and other non-profits - 2,500 books donated
- Pregnancy Resource Center and Women's Shelter – numerous items donated
- Astoria Garden's Senior Center - Singing, reading and playing Bingo with residents
- Relay for Life City Yard Sale – In just four hours on a Saturday over \$1000 was raised
- SLA Walk for Life with Ronnie Lott and Keena Turner - Supported donation drive
- Military Mom's of Tracy – Wrote 8,000 letters and cards to troops overseas
- Military Mom's of Tracy - 4,500 tooth brushes, deodorant, sun screen, Chap Stick, etc.
- American Cancer Society in name of a DARE officer battling cancer - Over \$2,700 raised by organizing two yard sales
- Helping the needy – collected 35 bicycles
- Volunteerism – over 2,700 hours volunteering in a variety of activities including cleaning schools, parks, streets and downtown, assisting Brighter Christmas and working at Astoria Gardens (an Alzheimer facility)

The Tracy Unified School District provides the DARE program to students of the public schools in the Tracy city limits and selected the Tracy DARE Advisory Board to deliver the DARE curriculum. The DARE Advisory Board fronts the money for all materials purchased in support of the DARE program and then submit receipts to TUSD for reimbursement. On April 18, 2011, the Tracy Unified School District liaison, Mr. Paul Hall, Director of Student Services, reviewed the submitted receipts from the DARE board and approved expenses for reimbursement. The majority of the expenses are used for the purchase of DARE booklets, pencils, erasers and T-shirts. Mr. Hall's signed endorsement and a TUSD invoice was forwarded to the Tracy Police Department for reimbursement.

The submitted receipts were reviewed by Tracy Police personnel, including a command officer, for compliance with the expectations of the City Council for allowable expenses. Upon execution of the Professional Services Agreement with TUSD for the provision of DARE services, allowable expenses up to a maximum amount of \$45,000 for FY 2010-11 will be paid to the TUSD.

Going forward, the Police Department will bring back semi-annual reports on the DARE program to the Council for as long as requested. The next staff report will be brought to Council in July or August 2011, requesting authorization to enter into a new Professional Services Agreement with TUSD to provide DARE services in FY 2011-12, a plan of proposed activities, such as the number of classes to be taught and at which schools and at what days and times. This information will be used by the Police Department to schedule police personnel to attend certain portions of the DARE program in fulfillment of its commitment to actively participate in the Tracy DARE program and to offer a unique Police Department perspective on gang information.

A subsequent report will be offered in January or February of 2012 and will include a mid-year assessment of the DARE program and an evaluation of how Tracy police officers are being used in the DARE program.

There is no immediate impact to the City's fiscal year 2010-2011 Budget as \$45,000 has already been approved through Council Resolution for the continued city funding for the DARE program. The funds are placed in the Police Department's Operating Budget for payment to the Tracy Unified School District.

Staff recommended that City Council approve the Professional Services Agreement between the City of Tracy and the TUSD for an amount not to exceed \$45,000 for providing DARE services to 5th Grade students in public schools within the City limits for fiscal year 2010- 2011, and authorize the Mayor to execute the Agreement.

Captain Espinoza stated there was a modification to Exhibit A, in the last paragraph striking the words "uniform police officers".

Mayor Pro Tem Maciel asked if the Kiwanis club was no longer involved. Captain Espinoza stated the Kiwanis acted as the umbrella for providing insurance. The D.A.R.E. board was pursuing its own 501C3 status so the Kiwanis would no longer be involved. Mayor Pro Tem Maciel asked if the \$45,000 covered insurance and other expenses. Captain Espinoza stated item 5.2b could qualify for funding, but the maximum is still \$45,000. Mayor Pro Tem Maciel asked if the Kiwanis were still involved. Captain Espinoza stated at this moment they were involved.

Mayor Ives invited members of the public to address Council on the item. There was no one wishing to address Council on the item.

It was moved by Mayor Pro Tem Maciel and seconded by Council Member Elliott to adopt Resolution 2011-093 authorizing a Professional Services Agreement in the amount of \$45,000 between the City of Tracy and the Tracy Unified School District to provide 5th Grade Drug Abuse Resistance Education (DARE) services for Fiscal Year 2010-2011 and authorizing the Mayor to execute the agreement. Voice vote found Council Members Elliott and Rickman, Mayor Pro Tem Maciel and Mayor Ives in favor; Council Member Abercrombie absent. Motion carried 4:0:1.

6. CONSIDERATION OF A RESOLUTION ADOPTING BUDGET PRINCIPLES AND A PRELIMINARY REPORT ON BALANCING THE CITY'S BUDGET IN 2016 WITHOUT MEASURE E REVENUE - Zane Johnston, Finance and Administrative Services Director, presented the staff report. Mr. Johnston stated that City Council Resolution 2009-086 adopted 13 budget principles to address the City's structural budget deficit. Several of these principles were examined by the City Council in a workshop on February 15, 2011, in light of the five year budget analysis which was presented at that time. At that meeting the Council directed staff to return with an official update to the Council policies. Specifically four of the existing 13 principles were to be modified and a one was to be added. They are as follows:

1. General Fund Reserves:

Current Principle: Over the upcoming years through FY 2012/2013, maintain a General fund Reserve of at least 15% of the City's General Fund Operating budget.

Proposed Revised Principle: Through FY 2015/2016, the City shall maintain a General Fund reserve of at least 20% of the City's General Fund Operating Budget.

This means that if the City adopted a General Fund operating budget of \$55 million \$13.25 million would be required in reserves. The reserves at the end of FY 10/11 (June 30, 2011) are projected to be approximately \$25 million. As such no more than approximately \$11.75 million could be used in reserves over the next three fiscal years (FY 11/12, 12/13, and 13/14). Increasing the reserve level has the self trigger mechanism of requiring the City stay the course toward a balanced budget with the FY 14/15 budget.

7. Reserves:

Current Principle: All City funds shall maintain an adequate reserve level and/or ending fund balance, as determined annually and as appropriate for each fund. For the General Fund, a contingency reserve amount which is a minimum of 15% of the operating budget shall be maintained.

Proposed Revised Principle: All City funds shall maintain an adequate reserve level and/or ending fund balance, as determined annually and as appropriate for each fund. For the General Fund, a contingency reserve amount which is a minimum of 20% of the operating budget shall be maintained.

This change from 15% to 20% is to be consistent with the revised General Fund Reserve of 20% noted in the previous principle

2. Budget

Current Principle: By the end of FY 2012/2013, present a balanced budget.

Proposed Revised Principle: Reserves may be used to balance the General Fund Operating Budget through FY 13/14. The General Fund Operating Budget to be adopted by City Council for FY 14/15 must be balanced without the use of reserves.

The current “balanced budget” principle states that by the end of FY12/13 a balanced budget must be presented. This means that FY 11/12 (the upcoming fiscal year) would be the last year that reserve funds could be used to bridge the gap between revenues and expenditures that year. A balanced budget is defined in the principles as “ongoing revenues shall equal or exceed ongoing expenditures”. The FY 12/13 budget would have to be balanced without using any reserve funds.

While the Council discussed this issue at length at its February 15, 2011 workshop there remained some confusion regarding this proposal. Some thought by saying “by the end of FY 13/14” present a balanced budget meant that beginning with FY 14/15 the budget would have to be balanced (this was Staff’s understanding). Others may have interpreted this statement to mean that the budget would have to be balanced by the end of FY 13/14 meaning that the FY 13/14 budget, when adopted by City Council in June 2013, would have to be balanced in order for it to be balanced by the “end of FY 13/14”. However, there is no way for a budget to be balanced at the end of a year. The budget to be balanced must not use any reserves upon adoption of the budget for that year.

As was discussed at the workshop, due to rising expenses to maintain current staffing, presenting a balanced budget for FY 12/13 would require significant cuts to public safety and other essential services highly desired by the community. It may take additional time to continue to implement a variety of actions that will help the City continue to make progress toward overall reduction in General Fund expenditures while still maintaining acceptable levels of service to the community. So as to not jeopardize the disruption of needed services to the community, the time frame for migration to a balanced budget is proposed to be extended by two additional years.

The proposed revised budget principle has been rewritten to clearly spell out that reserves could be used through FY 13/14 and that the FY 14/15 budget must be adopted without the use of reserves (i.e. a “balanced budget”).

3. Economic Uncertainty Fund

Current Principle: In five years beginning in FY 2012/2013 or when conditions permit, begin building up the Economic Uncertainty Fund.

Proposed Revised Principle: When conditions permit begin building up the Economic Uncertainty Fund.

Since the recession has been deeper and longer than originally expected, it will not be possible to begin building reserves in FY 12/13. The revision simply deletes a reference to a specific year and instead states the overall goal is to build reserves when economic conditions permit.

14. Budget Offsets

Current Principle: None

Proposed Revised Principle: City Council approval of a General Fund supplemental appropriation (additional monies after the adoption of the budget for the fiscal year),

shall be accompanied by a corresponding action to reduce the General Fund budget in another area.

This provision will assist in the management of adhering to budget plans while still permitting a change in expenditure priorities should they be desired.

PRELIMINARY REPORT ON BALANCING THE CITY'S BUDGET IN 2016 WITHOUT MEASURE E REVENUE

In November 2010, Tracy voters approved Measure E which provided for a half cent sales tax for a period of five years beginning April 1, 2011, and ending March 31, 2016. This revenue will assist the City in providing time to continually make changes to the way services are delivered without having to take immediate and draconian actions which could have a significant impact on the quality of life in Tracy. Measure E is expected to provide approximately \$4.6 million in revenue during its first full fiscal year (FY 11-12). The annual amount will be approximately \$5 million at the conclusion of the five year period.

Although the five year Measure E revenue just began on April 1, 2011, preliminary plans should begin to be developed now that can be implemented over the next five years which will result in bridging this \$5 million annual revenue source once Measure E expires. Although a lot can change between now and 2016, the following represents a potential path by which the City can once again supply necessary services to the community without Measure E revenue.

The current contracts (MOUs) with the Teamsters Union, Mid-Managers Unit, and the Fire Union all expire on 6/30/11. The resolution governing the Technical and Support unit expired on 9/30/10 and the resolution governing the Confidential Mid-Managers expired on 3/30/11. The resolution governing Department Heads expires on 9/30/11, although practically speaking it may be amended at any time. The contract with the Police Union expires on 6/30/12.

With each new contract there is the opportunity to negotiate pay and benefit terms. The Council has been briefed in Executive Session regarding the City's negotiating strategy in this regard. In future Fire contracts not only will the City's continued fiscal situation need to be considered but also the fiscal condition of the City's partners in fire service, Tracy Rural Fire District and the Mountain House Community Service District.

A second tier retirement formula has already been put into effect for the Teamsters and all miscellaneous city employees and for Police. This assists with long term (i.e. 10 years or more) efforts to reduce benefit costs.

The City has recently moved to contracting out for janitorial and tree trimming services. Additional areas for contracting out services where such services are readily available in the private sector for a lower price and of equal quality will be examined for potential savings.

The City has already reduced its work force from 560 FTE to 470. This reduction was the result of a strategic effort to maintain services while at the same time reduce the number of City positions. Specific targets of this approach were to compact layers of management, eliminate duplication of services, contract out services and invest in and

utilize technology. While efforts were made to minimize layoffs, this approach did necessitate the City issuing pink slips.

It will be necessary to continue to examine the organizational structure of the City and make changes where appropriate. It is anticipated that such changes can be made without the need for layoffs providing sufficient time is offered for attrition and by using targeted retirement and/or other exit incentives. It is anticipated to further discuss the Workforce Readiness Initiative at the May 17th Council meeting. Whereas the previous reorganization (or "right-sizing") was implemented within a short time frame, it is anticipated that additional organizational changes will be continually implemented over the next few years. Specifically, organizational changes resulting from any targeted retirement incentive are expected to be concluded by 11/30/12 (18 months).

The number of City departments will be reduced. Departments will be merged and there will be fewer department heads resulting in significant savings to the City. These plans may be implemented in conjunction with the organizational changes resulting from targeted retirement incentives. However, some may occur more rapidly.

As noted earlier, community needs may shift over time. Such needs often necessitate additional expenditures to address the issue. This does not mean that such expenditure must always add to the bottom line. Instead, a focus can be made on identifying an expenditure offset at the same time consideration is given to the increased expenditure. For example, in Police, if additional efforts for gang prevention is deemed necessary such resources might come from reallocating resources from elsewhere in the department (such as from traffic enforcement) or even from another department.

Ultimately, to supply City services in a post Measure E environment will also require the identification of programs which may be considered for elimination or reduction. When funding was more widely available such programs were often offered to the community. But with City revenue far more restricted, programs of non-essential value may have to be eliminated or reduced. Periodically, specific programming will be presented to the Council for consideration to eliminate or reduce.

Technological advances may also create some operating savings over time. Such savings must also recoup the initial investment in the technology. An example of this is the City is currently examining the use of new street lights that use less electricity. The City will save on annual electrical costs but must also finance the acquisition costs of the bulbs. Possible savings to the City could begin in five years even after debt service on the new bulbs is included.

Next year a modest growth in revenues is anticipated. Because property taxes lag actual reflection in current market conditions it is unlikely that during the next five years property tax revenue will grow to its former level, even if new home construction begins in calendar year 2012 as allowed under Measure A. However, sales tax is much more elastic. If there is a rebound in the economy and improved consumer spending, the City's sales tax revenue could grow more rapidly. At present the City's five year fiscal forecast anticipates sales tax (without Measure E) revenue in FY 15-16 at approximately \$11 million. However, sales tax revenue to the City peaked in FY 06-07 at \$13.3 million. As such, the five year forecast is very conservative in that it does not project the City to return to even the 06-07 level. But continued economic growth could easily outpace this conservative estimate by as much as \$1 million per year. Such potential will only be

known as time goes by and will be periodically examined in order to update budget estimates for this key General Fund revenue source.

It is anticipated that all of the above will be needed to be implemented over the course of the next five years in order to provide for General Fund operations without the need for Measure E revenue. As such any of these plans not implemented to the extent envisioned will result in the City not being able to fully fund General Fund operations without Measure E revenue.

Approval of the proposed budget principles will likely result in a greater use of reserve funds during the next few years but such will also result in the continuation of essential services to the community. The items contained in the preliminary report on balancing the City's General Fund budget in 2016 without Measure E revenue could result in annual savings in the range of \$7 to \$8 million when fully implemented.

Staff recommended the Council adopt the amended budget principles. No action is required by the Council regarding the preliminary plan on balancing the City's budget in 2016 without Measure E revenue.

Council Member Rickman inquired what was the City's total value of investments. Mr. Johnston stated all City funds total just under \$200 million. Council Member Rickman asked if the interest rates were controlled. Mr. Johnston stated the instruments that the City can invest in are restricted and have a current rate of return of approximately 2%.

Council Member Rickman asked if there were investments the City could pull to help balance the budget. Mr. Johnston stated investment returns have also shrunk and the City has to allocate investment earnings back to the cash fund.

Council Member Rickman asked if there were any investments the City could cash out. Mr. Johnston stated the City could sell an investment, but the proceeds would have to be put back into an instrument.

Council Member Rickman asked if reducing the number of departments would open up any buildings or space that the City could lease out. Mr. Churchill stated it was speculative at this point.

Mayor Ives invited members of the public to address Council on the item. There was no one wishing to address Council on the item.

Council Member Elliott stated regarding budget principles he could support reaching a balanced budget in FY14/15, but wanted to maintain the City's current level of service. Council Member Elliott stated the suggested specific ways to obtain a balanced budget were all good, especially labor contracts which should include those participating in their benefits.

Mayor Pro Tem Maciel thanked staff who worked on this item and added it was another good example of being farsighted. Mayor Pro Tem Maciel stated things have changed and may continue to change. Mayor Pro Tem Maciel envisioned the City being faced with tough decisions which may include a reduction in services; however, he was confident staff would continue to meet the challenges and have contingency plans.

Council Member Rickman thanked Mr. Johnston for a great job. Council Member Rickman stated he wanted to make sure that the City looked everywhere for savings, not just off the backs of the employees.

Mayor Ives stated it appears the City is aiming in the right direction and encouraged residents to buy in Tracy. Mayor Ives further stated a balanced budget is what we all want to get too while maintaining the highest possible level of service. Mayor Ives stated he would like more detail on the economic uncertainty fund.

It was moved by Council Member Abercrombie and seconded by Council Member Elliott to adopt Resolution 2011-094 approving the budget principles and accepting the report. Voice vote found all in favor; passed and so ordered.

7. INTRODUCE AN ORDINANCE OF THE CITY OF TRACY ADDING CHAPTER 3.04, ENTITLED "FIREWORKS" TO THE TRACY MUNICIPAL CODE – Al Nero, Fire Chief, presented the staff report. On April 19, 2011, staff presented Council with a staff report regarding the sale, possession, and discharge of Safe and Sane fireworks within the city limits. Council directed staff to return to Council with a proposed ordinance allowing such to occur.

The proposed ordinance contains sections that define "Safe and Sane" fireworks, which are legal provided they meet the requirements of the California Health and Safety Code and the local authority having jurisdiction approves of their use. The ordinance also defines "Dangerous Fireworks", which are typically for public display and may only be used by a licensed pyrotechnical operator. The proposed Fireworks Ordinance provides provisions for the public display of fireworks, the sale and discharge of "Safe and Sane" fireworks, permit and application requirements, the number of "Safe and Sane" fireworks sales stands to be permitted, and the operational requirements of "Safe and Sane" fireworks sales stands.

The proposed Fireworks Ordinance establishes permit requirements for both the public display of fireworks and for the sale of "Safe and Sane" fireworks. Permit fees are not identified in the ordinance; however, such would be established by resolution of the City Council. A suggested fee schedule and accompanying resolution will be brought before Council at the May 17, 2011 regular meeting.

The proposed Fireworks Ordinance provides a means for non-profit organizations to utilize the sale of "Safe and Sane" Fireworks to raise funds for their organizations. The ordinance outlines eligibility requirements for non-profit organizations to apply for a "Safe and Sane" Fireworks Sales Permit. Staff suggests that Council determine, by resolution, the process by which non-profit organizations are selected to sell "Safe and Sane" fireworks. Given the time constraints of this ordinance in relation to July 4, 2011, the forthcoming resolution may provide an expedited process for selecting non-profit organizations this year.

The ordinance would be effective June 17, 2011 which would provide the ability for non-profit organizations to sell "Safe and Sane" fireworks in time for celebration of July 4, 2011.

The fiscal impact of adopting the Fireworks ordinance is not yet known although it will create an increased workload for the Fire Department and other City staff in permit

processing, inspection services and enforcement. There is potential for the offset of staff impacts through permit fees; however, the amount will not be evident until a fee schedule is adopted by resolution. The City will also receive a limited amount of sales tax on the gross sales of "Safe and Sane" fireworks. It is not anticipated the City will yield a significant amount of revenue above program administration costs associated with the "Fireworks" ordinance.

Staff recommended that Council introduce an ordinance adding Chapter 3.04, entitled "Fireworks", to the Tracy Municipal Code.

Chief Nero stated there was a typo in the original draft ordinance and that a corrected draft ordinance had been provided to Council. The typo occurred in section 3.04.030 section a; the original time listed was 12:00 a.m. and changed to 12:00 p.m.

Council Member Elliott stated closing at 5:00 p.m. on the 4th of July seemed early. Chief Nero stated it was due to staff resources since it would be the busiest night of the year for public safety officers.

Council Member Elliott suggested the hour be re-considered.

Council Member Rickman stated he agreed and suggested closing at 9:00 p.m. Council Member Rickman asked if the number of calls for service went up for neighboring cities after allowing the sale of fireworks. Chief Nero stated he was not sure.

Council Member Elliott asked if there was a surcharge that would allow the City to collect funds for fire personnel. Chief Nero indicated staff was considering the idea.

Council Member Elliott suggested extending the sale of fireworks until 9:00 p.m. on July 4th. Chief Nero re-iterated that as long as everyone understands that it will probably require additional resources in order to accommodate the revision. Chief Nero reminded staff that fireworks would be allowed to be set off on the 4th of July until 12:00 p.m.

Mayor Pro Tem Maciel asked if the concern was that the stands were shut down by that time. Chief Nero stated it was part of it. Mayor Pro Tem Maciel asked for clarification about the times fireworks could be sold and discharged. Chief Nero indicated fireworks could be sold and used after June 28th. Mayor Pro Tem Maciel suggested the discharge of fireworks should be limited to the 4th of July. Chief Nero indicated because July 4th fell on Monday fireworks would probably be used all weekend.

Mayor Ives asked what was the magic number regarding the number of stands. Chief Nero stated the standard for sales stands is usually 1 stand per 10,000 population. In Tracy that would equate to 9 stands. Chief Nero added that more stands equals more resources to manage.

Council Member Rickman asked if there was a ball park figure for the amount of income to be generated for the city. Ms. Hurtado stated this item was discussed in the context of sales revenue for the non-profits and that it was difficult to make that assessment in the first year.

Mayor Pro Tem Maciel stated that it seemed like the City was discouraging groups from combining efforts. Chief Nero stated the ordinance requires each non profit to apply

individually, the group is awarded individually, and those groups are responsible for the permit and the sale of the fireworks in their booth.

Mayor Pro Tem Maciel asked Mr. Churchill to comment. Leon Churchill, City Manager, stated regarding an expected return, research has found that the law of diminishing returns occurs if the number of opportunities for sales is expanded.

Mayor Pro Tem Maciel asked if there had been any thought of categorizing the types of groups (i.e., sports groups,). Chief Nero indicated staff would come back to Council on May 17th with a resolution and that if Council directed staff to do so, that could be done. Chief Nero stated the intent was to incorporate a lottery system so all non-profits could participate. Chief Nero further indicated the proposed ordinance limits non-profits to receiving permits more than two consecutive years.

Mayor Ives invited members of the public to address Council on the item.

Dennis Revell, President of Revell Communications, on behalf of TNT Fireworks, voiced support of the ordinance and provided a document outlining suggested changes to the ordinance.

Robert Tanner, 1371 Rusher Street, referred to subsection 15 asking if there was a typo. Chief Nero indicated there was no typo. Mr. Tanner asked for clarification regarding public display permits and asked if three homes on a street wanted to have a show would they be required to obtain a permit. Chief Nero indicated there were no limitations on the use of "Safe and Sane" fireworks and that this section related to those parts of the community that discharge illegal fireworks and have their own firework displays. Bill Sartor, Assistant City Attorney, indicated this was for pyrotechnical displays.

Mayor Pro Tem Maciel asked if the Ordinance were adopted would it replace the old ordinance. Mr. Sartor stated yes.

Council Member Rickman asked if residents want to discharge fireworks would they have to obtain a permit. Mr. Sartor stated if the ordinance were adopted no they would not.

Mayor Ives referred to the suggested changes from Mr. Revell. Chief Nero indicated the suggested hours of operation should be adopted. Mr. Sartor suggested 10 p.m. other than the 4th of July. Mr. Ives sought clarification regarding sales at the booth and the definition of non-profits. Chief Nero indicated one of the definitions of non-profit had to do with permanent meeting places and that staff felt the line needed to be drawn somewhere.

Council Member Rickman asked if school organizations were eligible. Chief Nero stated yes.

Council Member Abercrombie asked if schools had to show a 5013C for eligibility. Chief Nero stated the school or school organization would have to provide a current written verification from the school of their affiliation.

Mayor Ives clarified the changes: 9 p.m for sales on July 4th and the language on section 3.04.060 of the ordinance.

Rhodesia Ransome asked how the City planned to do the selection process.

Don Parsons, 3333 Country Club Drive, addressed Council on behalf of TNT Fireworks, suggesting Council consider three issues: 1) hours of use; 2) surcharge – to help control illegal fireworks; 3) joint ventures for non-profits.

Mayor Ives asked for clarification regarding hours of use. Mr. Sartor suggested language as follows: Section 3.04.030 starting after section 12562 of the Health and Safety Code of the State of California “may be sold and discharged within the city limits of the City of Tracy from noon to 10:00 p.m. from the 28th of June through July 3 of each year and from noon to midnight on the 4th of July each year”. Council agreed with this change.

Mayor Ives clarified that the sale of fireworks on the 4th could occur up to 9:00 p.m.

Dan Sodergren, City Attorney, asked for clarification regarding the definition of non-profits in section 3.04.060a. Mr. Sodergren stated staff recommends that the language stay as is. Mr. Sartor indicated as written there was a better chance that it is a non-profit and will limit the number than can apply. Council consensus was to remain with staff's recommendation.

The Council discussed joint ventures and the consensus was that the non-profit groups would have to discuss and consider this on their own. Mr. Sartor added that there was nothing prohibitive to keep organizations from joining efforts with one group being held accountable.

Mayor Ives asked for clarification regarding a surcharge. Mr. Sartor stated for it to be effective the City would have to strike “or to otherwise participate in the profits of the operation” from section 3.04.080a. Mr. Sodergren indicated subsection b would also have to be stricken.

Chief Nero stated he envisioned the non-profits making application, staff verifying whether they were legally appropriate, and a lottery selection process with numbers or names being pulled out of a hat. Mr. Sartor added alternates should be selected in case some non-profits did not qualify.

Council Member Abercrombie asked if the ordinance addressed consecutive years. Chief Nero stated yes; that if a non-profit was drawn two years in a row, that group would not be eligible for the next year.

Council Member Rickman asked for clarification on when fireworks had to stop. It was clarified that fireworks had to stop at 10:00 p.m. on June 28-July 3; July 4th at midnight.

It was moved by Mayor Pro Tem Maciel and seconded by Council Member Elliott to introduce Ordinance 1158 as revised. Voice vote found Council Members Elliott, Rickman, Mayor Pro Tem Maciel and Mayor Ives in favor; Council Member Abercrombie opposed. Motion carried 4:1.

The Clerk read the title of proposed Ordinance 1158.

It was moved by Mayor Pro Tem Maciel and seconded by Council Member Elliott to waive the reading of the text. Voice vote found Council Members Elliott, Rickman, Mayor Pro Tem Maciel and Mayor Ives in favor; Council Member Abercrombie opposed. Motion carried 4:1.

8. ITEMS FROM THE AUDIENCE – None.
9. COUNCIL ITEMS - Council Member Abercrombie stated that a clothes drive would be held at Wal-Mart from 9 a.m. to 1:00 p.m. on Saturday May 7, for the victims of the tornados.

Council Member Abercrombie asked everyone to come out and support the Relay for Life event that will be held on May 14th.

10. ADJOURNMENT - It was moved by Council Member Abercrombie and seconded by Council Member Elliott to adjourn. Time 9:43 p.m. Voice vote found all in favor; passed and so ordered.

The above agenda was posted at the Tracy City Hall on April 28, 2011. The above are summary minutes. A recording is available at the office of the City Clerk.

Mayor

ATTEST:

City Clerk