

**March 5, 2013, 7:00 p.m.**

City Council Chambers, 333 Civic Center Plaza

Web Site: [www.ci.tracy.ca.us](http://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 offered by Deacon Jack Ryan.

Roll call found Council Members Manne, Rickman, Young, Mayor Pro Tem Maciel and Mayor Ives present.

Leon Churchill, Jr., City Manager, presented the Employee of the Month award for March 2013, to Isabel Yamada, Administrative Services.

Mayor Ives presented Certificates of Commendation to Ricardo Hernandez – Police Officer of the Year - 2012, Kathy Donaldson – Civilian Employee of the Year – 2012, The Certificate of Commendation for Tony Fontana - Volunteer of the Year – 2012, was accepted by Mr. Fontana's daughter.

Mayor Ives presented Certificates of Appointment to new Measure E Residents' Oversight Committee member Veronica Vargas and Michel Bazinet.

Mayor Ives presented a Certificate of Appointment to new Planning Commissioner, Joseph Orcutt.

Mayor Ives recognized students from Hirsh Elementary School in honor of their D.A.R.E. graduation.

1. CONSENT CALENDAR - Following the removal of Item 1-F by Council Member Rickman, it was moved by Mayor Pro Tem Maciel and seconded by Council Member Rickman to adopt the consent calendar. Roll call vote found all in favor; passed and so ordered.
  - A. Approval of Minutes – Special meeting minutes of November 26, 2012, and January 15, 2013, and regular minutes of January 15, 2013, were approved.
  - B. Approval of Permit for the Consumption of Alcoholic Beverages on City Streets for the Following Events: Tracy Noon Rotary and City of Tracy "It's Derby Time!" Event on May 4, 2013, City of Tracy Downtown Block Parties on May 5, June 21, July 12, August 2, August 16, 2013; City of Tracy "Girls Night Out – Pink Party" Event on May 10, 2013, Chamber of Commerce "Fourth of July Celebration" on July 4, 2013, Tracy City Center Association "Then and Now Car Show" on July 20, 2013, Chamber of Commerce "Dry Bean Festival" on September 7 & 8, 2013 and City of Tracy "Girls Night Out – Witches and Broomsticks" Event on October 25, 2013 – Resolution 2013-033 approved the permit.
  - C. Authorization to Amend the City's Conflict of Interest Code – Resolution 2013-034 authorized amending the Code.

- D. Approval of Amendment Number Three to Professional Services Agreement with Design, Community and Environment, Inc. for the Preparation of an Environmental Impact Report, Assistance with the Preparation of a Specific Plan and Annexation for the Cordes Ranch Specific Plan Project - Resolution 2013-035 approved Amendment Three.
- E. Supplemental Appropriation to the Insurance Program Budget for Fiscal Year 2012/13 in the Amount of \$307,320 from the Self Insurance Fund to Pay Retrospective Adjustments for the Pooled Workers' Compensation Program with Central San Joaquin Valley Risk Management Authority (CSJVRMA) Resolution 2013-036 authorized the appropriation.
- F. Consider Adoption of the "Healthy Eating Active Living" Resolution Proposed by The League of California Cities – Maria Hurtado, Assistant City Manager, provided the staff report. Ms. Hurtado stated cities face increased health care costs and residents face a diminished quality of life due to the obesity epidemic. City leaders across California are addressing the crisis by implementing land use and employee policies which encourage physical activity and nutritious eating.

In 2004 the League of California Cities (League) led the way with a resolution which encouraged cities to embrace policies that promote healthier lifestyles and communities. Two years later, the League adopted a resolution to work together with the Institute for Local Government, and the Cities Counties and Schools Partnership to develop a clearinghouse of information that could be used to promote wellness policies and healthier cities.

All California cities which support policies encouraging physical activity and good nutrition are eligible to be Healthy Eating Active Living (HEAL) Cities and upon review and approval, become eligible for public relations and marketing resources including use of the HEAL Cities logo.

The City of Tracy already embraces a number of strategies contained in the Healthy Eating Active Living Cities campaign including:

- Constructing a built environment that facilitates walking, biking and other forms of physical activity where possible;
- Addressing walking and biking connectivity between residential neighborhoods and schools, parks, recreational resources, and retail;
- Expanding community access to indoor and outdoor public facilities through joint use agreements with schools and/or other partners;
- Ensuring comprehensive plans and zoning ordinances include increased opportunities for physical activity and access to health foods for those who choose to partake in them, including compact, mixed-use and transit-oriented development;
- Encouraging walking meetings and the use of stairways among those employees who choose to partake in them.

Ms. Hurtado introduced Kanat Tibet, League of California Cities Representative, who provided a brief presentation regarding the program.

Staff recommended that Council adopt a resolution to enable the City to join 143 other California Cities taking part in the Healthy Eating Active Living Cities campaign.

Council Member Rickman asked why Tracy needed to be a partner on the campaign. Mr. Kanat stated because it was a state-wide advocacy effort and because the group can provide resources to the cities. Council Member Rickman indicated he believed the City did a good job of promoting healthy lifestyles already. Council Member Rickman also indicated he was concerned that if all the cities in California promote this campaign and someone at the state or federal level then propose legislation, it could provide them with more power. Mr. Kanat stated this action would not evolve into any state mandate.

Council Member Young indicated she believed there was power in numbers and by Tracy joining the campaign it gave the campaign more power. Council Member Young stated she was concerned it could be taken to extremes.

Council Member Manne stated the resolution was harmless and believed the League was trying to provide a good service. Council Member Manne stated he also believed some legislator would get a hold of this and put it on a state agenda and therefore could not support it.

Mayor Pro Tem Maciel indicated he did not support the proposal the first time it was presented primarily because of the language regarding mandates in zoning. Mayor Pro Tem Maciel indicated he was in favor of the current campaign because it was encouraging and inviting opportunities. Mayor Pro Tem Maciel further indicated this campaign offered common sense advocacy for healthy living where the City is committed to provide opportunities.

Mayor Ives indicated neither the state or the federal government has needed the City of Tracy in order to enforce their will on us. Mayor Ives asked staff if there was anything that compels us beyond reason to make any changes. Leon Churchill, Jr., City Manager, stated the resolution will have no impact on policy or operations for the City of Tracy.

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

Paul Miles indicated he spent a fair amount of time in Sweden where most people are fit because of the promotion of active lifestyles. Mr. Miles urged Council to think about making an active lifestyle more viable in Tracy.

George Riddle, 1850 Harvest Landing, indicated the City did not need to associate itself with groups that pontificate a bullet point and then say they will fill in the blanks later. Mr. Riddle stated he believed the City is good at supporting these activities already and asked Council to not approve the resolution.

Cindy Gustafson, Tracy Senior Advocacy Association, stated she would be interested in hearing more about this if it related to seniors.

Council Member Rickman indicated the collective resolutions of all cities could provide an opportunity to take this farther.

Council Member Young stated promoting a healthy lifestyle was not necessarily the City's job.

Council Member Manne stated the program doesn't add any value to the City or any funding, and that adding the "HEAL" emblem was not going to add to healthy lifestyles.

Mayor Pro Tem Maciel stated this was a feel good proposal and should not cause harm.

It was moved by Mayor Pro Tem Maciel to adopt a resolution to enable the City to become part of the 143 other California Cities currently part of the Healthy Eating Active Living Cities campaign approve; motion failed due to lack of a second.

2. ITEMS FROM THE AUDIENCE - Peter Barrett invited Council and members of the audience to a play written by former Council Member Evelyn Tolbert titled Being Black in Tracy. The event, sponsored by the Tracy African American Association and Tracy Performing Arts, will be held at the Grand Theatre on March 9 at 8:00 p.m., Sunday, March 10 at 2:00 p.m., and March 15 and 16, 2013, at 8:00 p.m.

Al Nero, Fire Chief, reminded everyone that Daylight Savings would begin on Saturday night. Chief Nero encouraged people to change the batteries on all smoke and carbon monoxide detectors in their homes. Chief Nero added those who need assistance can call Fire Administration at 831-6700.

Paul Miles, 1397 Mansfield Street, addressed Council regarding a previous Police complaint, referencing material provided at the February 19, 2013, Council meeting and provided a handout to the Clerk.

Steve Abercrombie addressed Council concerning comments shared by the previous speaker regarding Police Chief Hampton and reports filed by the Tracy Police Department. Mr. Abercrombie suggested the speaker focus on the fact that his child survived an accident.

3. CONDUCT A PUBLIC HEARING AND INTRODUCE ORDINANCE 1182 - AN ORDINANCE OF THE CITY OF TRACY APPROVING AN AMENDED AND RESTATED DEVELOPMENT AGREEMENT WITH THE SURLAND COMMUNITIES, LLC APPLICATION DA11-0002 THE PROPERTY IDENTIFIED IN THE AMENDED AND RESTATED DEVELOPMENT AGREEMENT IS APPROXIMATELY 321-ACRES LOCATED AT THE NORTHWEST CORNER OF CORRAL HOLLOW ROAD AND LINNE ROAD, ASSESSOR'S PARCEL NUMBERS 240-140-23, 240-140-30, 240-140-31, 240-140-16, 240-140-18, 240-140-22 - Dan Sodergren, City Attorney, provided the staff report. Mr. Sodergren stated that on January 22, 2013, Council approved applications submitted by Surland Communities, LLC., for an amended and restated Development Agreement (DA11-0002), General Plan Amendment (GPA11-0005), and annexation and approval of the Modified Ellis Specific Plan (Applications A/P11-0002, SPA11-0002), all of which are necessary for, and allow for development of a mix of residential, commercial, office/professional, institutional, and recreational uses, parklands, and a swim center at the 321-acre Ellis Project site.

The Ellis Project site is located at the Northwest Corner of Corral Hollow Road and Linne Road. Ordinance 1182 was introduced at the January 22, 2013, Council meeting to approve the Amended and Restated Development Agreement with the Surland Communities, LLC.

Since that time, the following typographical or clerical errors and omissions have been corrected in Ordinance 1182:

- The title of the ordinance has been corrected to read: “An ordinance of the City of Tracy approving an Amended and Restated Development Agreement with the Surland Communities, LLC – Application DA11-0002”;
- The enacting clause of the ordinance has been corrected to read: “The city council of the City of Tracy does ordain as follows.”;
- The first sentence of section 3 of the ordinance has been corrected to read: “The City Council finds that the proposed Amended and Restated Development Agreement, for those reasons more specifically set forth in the Recitals of the proposed Development Agreement.”;
- Section 4 of the ordinance has been corrected to read: “Development Agreement Approval. The City Council approves the Amended and Restated Development Agreement with Surland Communities, LLC attached hereto as Exhibit “1”.”;
- An extra (.) has been removed from section 5 of the ordinance;
- Section 6 of the ordinance has been corrected to read: “Publication. This Ordinance shall be published once in the Tri-Valley Herald, a newspaper of general circulation, within fifteen days from and after its final passage and adoption.”; and
- The ordinance has been clarified to reflect that it was introduced on March 5, 2013.

Exhibit “1” to the ordinance has been corrected as follows:

- Reference numbers to City Council ordinances, resolutions, and hearing dates have been included in Exhibit “1” to the ordinance on pages 4, 6, and 27; and
- The legal description of the property has been included in Exhibit A to Exhibit “1” to the ordinance (which is consistent with the property description and maps contained in the Draft Revised Environmental Impact Report, the Modified Ellis Specific Plan, and the presentation materials before the Planning Commission and City Council.)

Because of these corrections, Ordinance 1182 was before Council again for introduction.

Staff recommended that Council introduce Ordinance 1182.

Mayor Ives opened the public hearing to receive comments regarding the changes. There was no one wishing to address Council.

The Clerk read the title of Proposed Ordinance 1182.

It was moved by Council Member Rickman and seconded by Mayor Pro Tem Maciel to waive the ready of the text. Voice vote found all in favor; passed and so ordered.

It was moved by Council Member Rickman and seconded by Mayor Pro Tem Maciel to Introduce Ordinance 1182. Voice vote found all in favor; passed and so ordered.

4. CONDUCT A PUBLIC HEARING TO HEAR OBJECTIONS TO AND APPROVE THE FINAL COSTS OF WEED ABATEMENT AND AUTHORIZE A LIEN ON THE LISTED PROPERTIES IN THE COSTS OF ABATEMENT AMOUNT PLUS 25 PERCENT –

Steve Hanlon, Division Fire Chief, provided the staff report. Division Chief Hanlon stated pursuant to Tracy Municipal Code Section 4.12.260, properties were identified by the Fire Department that required weed abatement. The property owners were given notice to abate and a public hearing was conducted November 7, 2012 to hear any objections to abatement. The Tracy Municipal Code provides that upon failure of the owner, or authorized agent, to abate within 20 days from the date of notice, the City will perform the necessary work by private contractor and the cost of such work will be made a personal obligation of the owner, or become a tax lien against the property. The City Council authorized the abatement.

The Fire Department designated two parcels that required abatement by Baylor Services, the contractor for the City of Tracy. The abatement was completed at a cost to the City of \$1,028.50. The cost of abatement assessed to the property owner is the actual cost of the City contractor plus a 25% overhead charge, per Resolution 2011-101. The total cost, including the 25% overhead charge is \$1,285.62.

Fire Department staff notified the affected property owners of the public hearing where Council would consider the report of costs for abatement and any objections of the property owners liable for the cost of abatement.

The Fire Department's FY 2012-2013 operating budget reflects \$12,100 for weed abatement services. The abatement cost of \$1,028.50 is within the identified budget. The total cost expended to date in FY 2012-2013 on weed abatement for work performed by Baylor Services is \$2,257.25.

Staff recommended that Council conduct a public hearing to hear objections to the costs of abatement and authorize, by resolution, approval of the final abatement costs, and authorization of a lien on the listed properties in the cost of abatement amount plus 25 percent.

Mayor Ives opened the public hearing. There was no one wishing to address Council on the item.

Council Member Rickman thanked Division Chief Hanlon for being proactive and abating the properties.

It was moved by Mayor Pro Tem Maciel and seconded by Council Member Manne to adopt Resolution 2013-037 approving the final costs of weed abatement. Voice vote found all in favor; passed and so ordered.

5. COUNCIL MEMBER MACIEL SPONSORED DISCUSSION REGARDING A REQUEST TO HAVE THE CITY FUND CERTAIN INFRASTRUCTURE IMPROVEMENTS ASSOCIATED WITH A PROPOSED NEW MONTESSORI SCHOOL IN THE CITY OF TRACY - Kuldeep Sharma, City Engineer, provided the staff report. Mr. Sharma stated that on February 19, 2013, City Council discussed a report from Mayor Pro Tem Maciel to schedule an agenda item related to City funding certain infrastructure items for a proposed new Montessori school. The initial request was made by Pamela Rigg representing Montessori School and Council directed staff to bring this as a regular agenda item for discussion.

City staff has processed numerous applications to build or expand private schools in the community over the past decade. The City currently has one Montessori school located on the southeast corner of Tracy Boulevard and Fourth Street. The current Montessori

school was developed in 2004, and has since undertaken several expansions to their existing location. According to Ms. Pamela Riggs, owner of the Tracy Montessori School, they have outgrown their current location and would like to expand their school facilities to an additional nearby site. Ms. Riggs has preliminarily selected a site located on three parcels (APN #'s 235- 430-13, 235-430-14, 235-430-16) approximately three blocks west of their current location.

The proposed site is located within the Infill Area of the City. The Impact Fees associated with the Infill Area are fair share costs toward major backbone infrastructure. The construction of major backbone infrastructure is the collective responsibility of the property owners within the particular fee area. Major backbone infrastructure items include water lines, sewer lines, storm drainage and street improvements. It is important to note that in order to stimulate development, the Infill Area Fees were reduced by approximately 35% in early 2012. Impact Fees in the Infill Area are the lowest fees in the City.

In addition to paying impact fees for the major backbone infrastructure, there are certain infrastructure costs that are typically site related and are paid for by the development community. These include frontage costs (curb, gutter, sidewalk, landscaping) and other infrastructure including water distribution lines, sewer collection, and storm drainage collection lines that may be necessary for the site to develop.

The proposed new site for the Montessori school includes both backbone Development Impact Fees as well as some site specific infrastructure requirements. More specifically, there are water and sewer lines that need to be extended to the site for service as well as the typical frontage improvements. It was explained to Ms. Pamela Rigg that if there are infrastructure items that will be used by other property owners in the future, then the City can establish a Benefit District reimbursement as a means of providing reimbursement in the future. The estimated cost for site related infrastructure that may benefit other property owners in the area is approximately \$235,200. This includes the extension of water and sewer lines as well as connecting a sidewalk. In addition, there is approximately \$127,000 associated with construction of this property's frontage improvements. The frontage improvements would not be reimbursed by others in the future.

Ms. Pamela Rigg, Montessori representative, is requesting that the City pay for \$235,200 worth of infrastructure items and that the City would get reimbursed as future development occurs over time as well as frontage improvements to the site estimated at approximately \$127,000. Ms. Rigg also stated that if this is not plausible, then she would pay for these improvements with the monies collected by the City as part of the Development Impact Fees. It was explained to Ms. Riggs that both scenarios result in an impact to the City's General Fund by the same dollar amount. This request has been elevated to a Council discussion because our existing Tracy Municipal Code does not currently allow for this to occur.

Andrew Malik, Development Services Director, provided an outline of various options presented to the applicant.

**Option 1:** Use General Fund monies to pay for the \$362,200 (\$225,000 offsite, \$10,200 sidewalk connection, \$127,000 frontage) site costs for this development and City would receive partial reimbursement from the Montessori School in the future. The remaining cost incurred by the City will be recouped when other adjacent properties develop.

If the Council directs staff to pursue this option, it would be a deviation from existing City policy with regard to new development paying for their own infrastructure. It would also impact the City's General Fund and put financial stress on the organization.

**Option 2:** Do not use General Fund monies to pay for these site related costs and continue to provide assistance to Montessori as outlined in the City's letter dated September 19, 2012.

This option would be consistent with current City policy. It would also not have a negative impact on the City's General Fund.

There will be an impact to the City's General Fund of \$362,200 if the Council selects Option 1 as it would further increase the City's FY 12/13 deficit. There would be no impact to the City's General Fund under Option 2.

Staff recommended that Council direct staff to pursue Option 2 as it will not result in an impact to the City's General Fund and is consistent with current City Policy.

Mayor Pro Tem Maciel referred to the sewer line only having to go to West Street but the water line would have to go from West Street onto C Street, asking why it could not terminate at site. Mr. Sharma indicated it would become a dead end which could cause problems in the system. Mayor Pro Tem Maciel asked for clarification on the sidewalk improvements.

Council Member Rickman asked if an upcoming Council agenda regarding impact fees might affect this project. Mr. Malik stated the City lowered impact fees last year and did not believe there would be any further reductions. Council Member Rickman asked if they would be subject to program management fees. Mr. Malik stated the project would be subject to program management fees.

Council Member Rickman asked how much savings would be realized if the program management fees were reduced to 40-50%. Mr. Malik indicated it would have a small impact on lowering the fees.

Council Member Rickman asked why the City uses per acre vs. per use fees. Mr. Malik indicated it was tied to the land use and zoning where sewer and water demand has been factored into the calculations.

Council Member Rickman asked if there were any businesses interested in this area. Mr. Malik stated he was not aware of any businesses interested in the location.

Council Member Rickman referred to the comment that indicated once the area was built up, the school could be reimbursed for fees they fronted, asking what other properties were being referred to. Mr. Malik indicated any property adjacent to the school or any other property that benefits due to the installation of water and sewer lines in the area.

Council Member Manne asked if the school brought this project 3 years ago, would it have been subject to fees that were 35% higher. Mr. Malik stated yes. Council Member Manne asked if the project was brought forward two years ago, would they have been eligible for redevelopment funds. Mr. Malik indicated it would have been subject to available funding and findings that were needed to be made regarding blight.



Council Member Manne asked if the reason there was lack of development was because of the lack of infrastructure in the area. Mr. Malik stated it was hard to tell, adding there were several programs available to promote development.

Council Member Young referred to proposed Senate Bill 33, and asked if there was any specific timeframe. Mr. Malik stated a couple of Bills were introduced this year and if passed, would be before the Governor in November 2013, for his signature.

Council Member Young stated she believed part of the problem was the area and the lack of available infrastructure. Council Member Young indicated it seemed unfair for the expenses to fall on the first developer. Mr. Malik stated that is why the City promotes benefit districts and reimbursement agreements.

Council Member Rickman asked what the odds were of another business going into this area and the school being reimbursed. Mr. Malik indicated it was hard to tell; that there has not been a lot of interest in the area. Mr. Malik added that any property that did develop near there would have to pay their fair share.

Mayor Ives invited members of the public to address Council.

Pamela Rigg thanked Council for taking time to look at the area. Ms. Rigg suggested this was a beautiful opportunity where the school would be putting several million dollars into the community. Ms. Rigg showed plans for a 2-story structure which included an all-purpose area and eight classrooms.

Council Member Manne asked Ms. Rigg if the school would anticipate buying the adjoining properties. Ms. Rigg stated there were no funds to purchase additional land.

Steve Nicolau, 1068 Atherton Drive, indicated the City should be the bank instead of the Montessori School. Mr. Nicolau indicated development of the Montessori would be a shot in the arm to the area and that it was good business and policy.

Chris Richardson, 2001 Superior Court, indicated their family moved to Tracy because of the Montessori School and asked Council for their support.

Paul Dahliwahl, 3192 Remington Way, indicated his main criteria for moving to Tracy was because of the schools. Mr. Dahliwahl encouraged Council to invest in education.

Ethel Balaadia, a teacher at the Montessori School, stated she has been with the school for 13 years and knows the kind of education that is provided to the children. Ms. Balaadia asked Council to support their request.

Council Member Young thanked everyone for providing input. Council Member Young asked staff if they had ever received a similar request. Mr. Malik stated he was not aware of any requests to use general funds to pay impact fees. Mr. Sharma indicated there was a previous daycare center proposed on Joe Pombo Parkway and Grant Line Road that asked the City to pay the fees or defer them and the project was not approved.

Council Member Rickman referred to Mr. Nicolau's comments regarding the Montessori School being a business asking what the difference was between using funds for the school or freeway signs. Mr. Malik stated the difference was the return in investment.

Council Member Young suggested the City should do something to help.

Mayor Pro Tem Maciel thanked parents for being involved and for the positive impact they were trying to bring to the community. Mayor Pro Tem Maciel indicated the Montessori got a good deal on the property for a reason; that the property has been vacant for generations because the owners don't want to pay the cost of development. Mayor Pro Tem Maciel stated he was concerned if the City were to deviate substantially and become the bank. Mayor Pro Tem Maciel further stated it was a little optimistic to believe that if the project developed, other properties would be interested in developing. Mayor Pro Tem Maciel indicated the City has worked in good faith, offered options, and that he could not support the City taking on the financial obligation.

Council Member Young stated it was only unfair for the first business to the area that bears the cost burden.

Council Member Rickman asked staff how they expect small businesses to build. Mr. Malik outlined various ways the City gets involved and provided examples of previous efforts including the Larch Clover area, the Berg/Byron Road area, and the SKIP program.

Council Member Rickman agreed that it could not affect the General Fund. Council Member Rickman asked if staff has approached those businesses asking them to pay a portion of the amount for the signs. Mr. Malik stated that has not been done.

Council Member Manne stated he was struggling with training in finance vs. his young family and his appreciation for the Montessori school. Council Member Manne stated there was an opportunity to partner with the school, but was concerned about how that could be achieved.

Mayor Ives indicated everyone wants the same thing – the project to proceed. Mayor Ives stated he believed there might be policies that identify quality of life uses, where the City can partner with the school. Mayor Ives further stated it might be worth directing staff to look at ways to make it work. Mayor Ives suggested staff look for a policy that relates to quality of life.

Leon Churchill, Jr., City Manager, suggested if Council desired movement in this area, a policy would need to be devised. Mr. Churchill indicated the public purpose would need to be identified along with a funding source. Mr. Churchill suggested it could also be interwoven with the capital discussion scheduled next month.

Council Member Rickman indicated he did not see any reason why the City could not look at all avenues other than the General Fund.

Mayor Pro Tem Maciel indicated it would be great to find a policy that will solve the situation, but cautioned committing City funds to these programs. Mayor Pro Tem Maciel stated he was in favor of option 2 with emphasis on trying to find ways to make the school successful.

Council Member Rickman asked staff to look for policy and funds and to look at it as economic development.

Council Member Young stated the policy has to be clear and include certain areas that the City would like to have built up.

Mayor Pro Tem Maciel asked if there was a fiscal principle in place that indicates the City will not start new programs. Mr. Churchill stated yes.

It was Council consensus to direct staff to pursue policy options and return to Council within 60-90 days.

Mayor Ives called for a recess at 9:36 p.m., reconvening at 9:45 p.m.

6. FISCAL YEAR 2012/13 GENERAL FUND MID-YEAR BUDGET PERFORMANCE REPORT AND FIVE-YEAR FINANCIAL PLAN UPDATE - Jenny Haruyama, Administrative Services Director, provided the staff report. Ms. Haruyama stated the FY 12/13 adopted budget assumed \$47.7 million in General Fund revenue. Of that amount, approximately \$5.8 million was temporary taxes (Measure E sales tax). Total adopted expenditures equaled \$49.9 million, which included an assumed budget savings of \$1 million as the City typically spends about 98% of its General Fund operating budget. The remaining 2% equals approximately \$1 million. The budget deficit anticipated for FY 12/13 was \$2.2 million.

Mid-year trends indicate that General Fund operating revenue and expenditures will exceed adopted budget levels. Projected increases in FY 12/13 revenue are based on continued economic growth and recovery. Current operating expense projections anticipate that the City will expend 100% of its adopted expenditure budget rather than the assumed 98% as discussed earlier. Taking in consideration the changes in revenues and expenditures, the projected deficit is expected to be approximately \$907,510, which is \$1.3 million lower than the adopted deficit of \$2.2 million.

Based on projections from the County Assessor's Office, the FY 12/13 adopted budget assumed another year of decreased assessed value, resulting in less property tax revenue. This was projected to be a decline of 1.2% compared to the prior year. However, property tax trends for FY 12/13 are beginning to show signs of mild recovery. For the City of Tracy, property tax revenue is transitioning from a negative decline to flat to mild growth. This is due to a reduction in foreclosures and turnover in homes and/or property reassessments. Property tax revenue projections for year-end anticipate a .1% growth compared to FY 12/13 adopted levels.

Like property tax, general sales tax is showing signs of economic recovery, albeit at a much faster rate. The FY 12/13 adopted budget for sales tax was \$12.5 million; however, based on 2012 third quarter projections from the City's sales tax consultant, Muni-Services, FY 12/13 year-end sales tax revenue is expected to be approximately \$900,000 higher than adopted levels. This significant increase in sales tax is due to changes in the City's top three key economic categories: Transportation, General Retail, and Food Products. According to Muni-Services' 2012 Third Quarter Sales Tax Report, the transportation category currently generates approximately 36% of the City's sales tax revenue; recent revenue spikes in this category are due to high fuel prices and increases in new auto sales. The general retail category, which produces 34% of sales tax, is comprised of department stores, apparel, furniture, recreation products, drug stores, and miscellaneous retail.

Department stores and miscellaneous retail, which includes wireless telephone providers and fulfillment centers (e.g. Crate & Barrel) are doing very well and generating a significant amount of sales tax this year. With the addition of Amazon in FY 13/14 (Fall 2013), it is anticipated that general retail sales will become the City's strongest economic

category. Last, the food product category generates 15% of sales tax, and includes restaurants, food markets, and liquor stores. Restaurants are currently the strongest food product sales tax generator.

In November 2010, Tracy voters approved Measure E, a new half-cent temporary sales tax applicable to physical purchases made in the City of Tracy and online sales to Tracy customers. The tax began in April 2011, and will expire in March 2016. The new, half-cent temporary sales tax, after its first year of full implementation in FY 11/12, generated approximately \$4.6 million in General Fund revenue. While the FY 12/13 adopted budget assumed \$5.7 million in Measure E taxes, current projections indicate that the amount will be near \$6.1 million.

Franchise fees are collected by the City as a privilege of operating a utility service in Tracy, and as a fee in lieu of a business license tax. Franchise fees are currently received from gas and electric, cable television, and solid waste collection service providers. Franchise fees are economically sensitive revenue and fluctuate based on the fiscal health of the nation, state, and/or local region. Franchise fee revenue currently represents approximately 5% of the General Fund budget.

Historically, franchise fee payments are not remitted equally throughout the year; therefore, second quarter receipts are not necessarily predictive. The FY 12/13 adopted budget assumed \$2.5 million in franchise fee revenue based on the prior year's estimated year-end figures. Conservative projections anticipate that revenue collected for FY 12/13 will be \$2.47 million, or \$30,000 less than the adopted budget.

The "Other Taxes" revenue category includes several tax sources, the most significant of which are Transient Occupancy Tax (TOT) and Business License Tax. The City levies TOT tax on all hotel and motel rooms within Tracy city limits. The current TOT rate is 10%. The City also requires all businesses located within the City of Tracy, or those that operate within Tracy to obtain a business license. The amount of business license tax paid by each business is typically based on the number of employees.

Revenue received from the Other Taxes category is on target and is expected to be in alignment with adopted levels of \$1.6 million at the end of FY 12/13.

Revenue received from the Use of Money & Property category includes investment earnings and rental income from City property. The City earns interest income by investing monies not immediately required for daily operations in a number of money market instruments. Interest income revenue is dependent on two factors: first, the cash balance in the City's investment portfolio; and second, the yield on those funds.

Given that General Fund reserve and capital fund balances are not declining as fast as originally anticipated, FY 12/13 year-end projections are estimated to be approximately \$965,000, or \$320,000 higher than adopted levels.

Department expenditures are trending below the expected 50% budget level; approximately 45.8% of the General Fund budget has been expended. However, operating expense projections anticipate that the City may expend 100% of its adopted expenditure budget rather than the assumed 98%, which was expected to generate approximately \$1 million in savings. Given the conservative nature and timing of these projections, there is still an opportunity to capture some or a significant portion of the anticipated budget savings.

On January 10, 2013, the Governor released his FY 13/14 budget package. The Governor's budget reflects a significant improvement in the state's finances due to the economic recovery, prior budgetary reductions, and voter approval of temporary tax increases. Specifically, the Governor proposes \$138.6 billion in General Fund and special fund spending in FY 13/14, which is up 4.5 percent from FY 12/13. The administration forecasts that the state's General Fund budgetary balance to be \$1 billion at the end of FY 13/14 under the Governor's plan.

Redevelopment Dissolution - On February 1, 2012, the State of California dissolved redevelopment agencies through the passage of ABX1 26 and replaced them with Successor Agencies. The City of Tracy City Council elected to serve as the Successor Agency for the former City of Tracy Community Development Agency (CDA). The State also established Oversight Boards to assist in the winding-down of redevelopment activities. In June 2012, the State legislature adopted Assembly Bill 1484 to facilitate the dissolution of the many redevelopment agencies across the state. One provision of AB1484 requires the Successor Agency to obtain Due Diligence Reviews (DDR) of the all Successor Agency accounts as of June 30, 2012. The purpose of which is to determine the available cash that can be transferred to other taxing entities.

Two DDRs were required in the past six months; both have been completed, approved, and sent to the State. Following the first DDR, the Successor Agency remitted \$3.4 million in low and moderate income housing funds to the County for disbursement to other taxing agencies. The second DDR has been completed and submitted to the state. The Successor Agency is awaiting State approval and instructions for remitting \$2.28 million in non-housing funds to the County. Approval is expected by April 1, 2013. The total of \$5.68 million in former CDA cash was previously restricted for certain approved uses. The remittance of the funds to the County has no General Fund impact.

Funding remitted to the County as a result of the DDR process will be redistributed to other taxing entities. The City of Tracy is considered one of those taxing entities and is scheduled to receive one-time funding. To date, the City has received \$570,510 and will receive another one-time payment of \$380,000 in FY 12/13. While the dissolution of redevelopment will increase the City's property tax revenue, it will be substantially less than the share of increment formally received through redevelopment. It is anticipated that the City's will receive an additional \$237,084 in property tax revenue for FY 12/13. These funds, however, have not been budgeted in the current fiscal year.

The CDA's bond obligations are being met through the Recognized Obligation Payment Schedule (ROPS) process created by the State. The Successor Agency submits a list of obligations due in six-month increments to the Oversight Board and State Department of Finance. Once approved, the County releases the funds held in the Redevelopment Property Tax Trust Fund (RPTTF). To date, all requested bond payments have been approved by the State and funded by the County in a timely manner.

The unwinding of the CDA has been time intensive and staff continues to work diligently on this process. The State has approved an annual administrative allowance of \$250,000 to cover these staffing costs, thus eliminating the need for any General Fund subsidy.

General Fund Reserve Status - General Fund reserves closed at a balance of \$26.9 million as of June 30, 2012. Of that amount, approximately \$25.6 million is designated as unrestricted. The total unrestricted fund balance represented over 52% of total General

Fund expenditures for FY 11/12. Of the \$25.6 million in reserves, approximately \$7.95 million is allocated to the Reserve for Economic Uncertainty.

In January 2013, staff began strategic budget development discussions anticipating the need to maintain service levels and minimize ongoing expenditure increases given the anticipated expiration of Measure E in FY 15/16. To date, the City has implemented nearly \$5 million in budget reductions due to targeted early retirements, vacancy eliminations, and consolidation of departments and executive management positions. Another \$3 million in savings will occur incrementally over the next 3 fiscal years (starting in FY 12/13) as employees begin to pay their share of Public Employees Retirement System (PERS) costs. Employees will pay their full share of employee PERS by FY 15/16.

The Five-Year Financial Plan is an independent financial tool used to forecast general fund current and future revenue and expenses. This tool is designed to be fluid in nature to build various funding scenarios, providing a range of budget strategies for consideration.

The updated financial plan, which covers FY 13/14 through FY 17/18 is based on several key general fund revenue and expenditures assumptions, many of which are determined by established policy, trend analysis, and/or empirical data provided by consulting and auditing firms.

General Fund revenue is comprised of several economically sensitive revenue sources, including Property Tax, Sales Tax, Temporary Taxes (Measure E), Franchise Fees, Other Taxes (Transient Occupancy Tax and Business Licenses), and Use of Money/Property (Interest and Rental Income). Nearly 65% of general fund revenue is derived from Property Tax, Sales Tax, and Temporary Taxes.

Property Tax – Slow, but positive property tax revenue trends are anticipated for FY 13/14. An increase of less than 1% is assumed in FY 13/14 with mild growth projected for future years. Preliminary discussions with the County Property Tax Assessor's Office suggest stronger county-wide valuation trends for FY 13/14; however, data confirming how this will impact the City will not be available until late Spring. Although not reflected in the forecast at this time, the City will receive additional property tax revenue due to the dissolution of redevelopment, but it will be substantially less than the share of increment formally received by the CDA.

Sales Tax – The City's sales tax consultant, Muni-Services, projects increased revenue over the next five years as the economic continues to recover. The forecast also reflects additional revenue from Amazon, which is expected to generate sales tax beginning late Fall 2013.

Temporary Taxes (Measure E) – Muni-Services also provides projections for Measure E, a temporary half-cent sales tax on purchases made within the City, with some notable exceptions. These include Tracy auto sales where the vehicle registration is not in the City, and internet sales made to customers outside of the City. Like general sales tax, Measure E revenue is expected to grow moderately over the next several fiscal years. Measure E will sunset in March 2016; therefore, the forecast reflects anticipated revenue up to that point with assumed declines in FY 15/16 and the elimination of the revenue altogether in FY 16/17.

Operating Expenses - General Fund expenses are primarily associated with the cost of providing services. These expenses are mostly labor (personnel) costs, which typically range between 70-80% of the General Fund expenditures.

Salary and Benefits – The forecast reflects no changes in salaries, other than for annual merit increases and the inclusion of temporary personnel costs for two additional firefighters for the new Fire Station 92 until the Tracy Rural prepayment agreement begins in FY 15/16. Specifically, three months of personnel expenses have been included for FY 13/14 and a full year for FY 14/15. The forecast also reflects savings assumed from the net loss of seven full-time equivalents (FTE) due to retirements and full implementation of the elimination of the Master Officer Pay (in exchange for the Police Corporal Program) and city-wide organizational restructuring, which included the consolidation of departments and reduction in executive management. The forecast also reflects annual adjustments in health benefits and projected employer-paid Public Employees Retirement System (PERS) rate increases. However, savings are assumed as employees agreed to incrementally pay their share of employee PERS costs effective FY 12/13 in exchange for additional flex-leave hours. Full payment of employee PERS costs will occur in FY 15/16. The net savings over a 3-year period is anticipated to be \$3 million.

Operating Expenses - Overall, operating expenses, including costs for contractual services and commodities are anticipated to adjust modestly for necessary increases and inflation. However, FY 13/14 assumes a slight reduction in operating expenses due to the elimination of redevelopment and discontinuation of election funding which was a part of the prior year's base budget. The forecast also reflects moderate adjustments for internal service charges with the exception of significant increases in FY 13/14 to restore equipment/vehicle cost reductions made 3 years ago as a budget savings measure.

Due to projected increases in revenues and minimal expenditure adjustments, the five year financial projections below reflect excess revenue over expenditures for FY 13/14 through FY 15/16. If these projections continue after the FY 13/14 budget development process is complete, the Council's direction to have a balanced budget without the use of reserves by FY 14/15 may be realized in FY 13/14.

For FY 16/17 and beyond, deficits are projected to be \$3.6 million given the expiration of Measure E. When Measure E took effect in April 2011, the City developed plans to identify reductions and/or revenue enhancements that equaled or exceeded the revenue produced by Measure E. Current projections anticipate that peak revenue generated by Measure E will be approximately \$6.3 million. Due to revenue shifts and strategic operating expenditure reductions implemented over the past 2 years, the anticipated deficit has been reduced by nearly one-half. Staff will continue to develop additional cost-containment approaches to eliminate the deficit by FY 16/17.

The forecast does not take in consideration hypothetical situations that could impact the City's revenues or expenditures, such as potential legislation or changes in key sales tax generators' business models. For instance, informal discussions are taking place at the State Legislature regarding the reallocation of either all California sales tax revenue or online sales tax on a per capita basis. While no specific legislation has been introduced at this time, the City's sales tax consultant, Muni-Services through its state lobbyist, is closely monitoring this issue.

Another potential vulnerability is related to Amazon sales tax revenue. Under the current law, online sales tax is allocated based on one of two scenarios:

1. Physical location of the sales order desk – if a sales order desk that receives online sales orders is located in the City of Tracy and the product is shipped to the California customer from a location inside the state, then Tracy will receive the sales tax revenue, as in the case of Crate & Barrel. If the order is placed in Tracy but the product is shipped from out of state then the local tax would be allocated to the countywide pool based on customer destination.

2. Location of where the product is distributed or shipped from – If the sales order desk that receives online sales orders is located outside of California, then the sales tax revenue is allocated to the City where the product is distributed or shipped from. This scenario currently applies to anticipated revenue from Amazon. Should Amazon choose to relocate its sales order desk to California, it must be located in the City of Tracy in order to capture the sales tax revenue. This vulnerability could be addressed through the negotiation of a sales tax agreement with Amazon. While Amazon has indicated that it is interested in negotiating an agreement, neither of the cities where their California fulfillment centers are located (San Bernardino and Patterson) have sales tax agreements in place.

With respect to expenditure vulnerabilities, the City is swimming against the current when it comes to uncontrollable costs, including employer PERS rates, health care, utilities, fuel, and general inflation expenses. Another challenge is limited property tax revenue from future annexations to fund additional public safety services. Staff continues to plan for these contingencies and is currently developing mitigation measures to reduce future expenditure increases.

The forecast raises several policy issues for Council consideration given the likelihood of excess revenue over expenditures for FY 13/14 – FY 15/16 coupled with projected deficits upon the expiration of Measure E. While the Council's budget principles adopted in FY 10/11 provide general policy guidance about general fund reserve levels and use of one-time resources, additional direction will be needed regarding reserve designation/allocation to existing reserves or funds (e.g. Economic Uncertainty Reserve, Capital Projects Fund 301) and the potential development of new reserves for specific future uses.

Upon Council direction, staff will develop policy options for Council consideration by early Summer 2013. Staff recommended that the policy development process include obtaining feedback from the Measure E Committee.

The mid-year budget analysis indicates that overall, assumptions for revenues and expenditures have not changed significantly, with exception of sales tax revenue. Due to the anticipated increase in sales tax revenue, it is recommended that Council authorize a budget adjustment in the amount of \$900,000. It is expected that the change in sales tax revenue coupled with smaller revenue increases will reduce the FY 12/13 adopted deficit of \$2.2 million to approximately \$907,510.

Update of the Five-Year Financial Plan reflects excess revenue over expenditures for FY 13/14 – FY 15/16 and deficits in FY 16/17 and beyond due to the expiration of Measure E. This forecast situation raises several policy issues with respect to reserve utilization, designation, and development.

The FY 12/13 adopted budget reflects \$12,511,000 in general sales tax revenue. Based on economic trends and projections provided by the City's sales tax advisor, Muni-



Services, sales tax revenue is expected to be approximately \$900,000 higher than the FY 12/13 adopted amount. Authorization of a budget adjustment in the amount of \$900,000 would increase the FY 12/13 adopted sales tax revenue from \$12,511,000 to \$13,411,000.

Staff recommended that Council 1) Accept the FY 12/13 General Fund Mid-Year Performance Report, 2) Authorize a FY 12/13 Budget Adjustment increasing Sales Tax Revenue by \$900,000, 3) Direct staff to explore General Fund Reserve Policy Options including the Designation/Allocation of Excess Revenue and Development of New Reserves.

Council Member Rickman asked when the bill Ms. Haruyama referred to was being introduced. Ms. Haruyama indicated it has not been introduced, just being discussed.

Mayor Ives referred to the PERS issue and pre-payment, asking if it would shield the City from any re-calculations in the future. Ms. Haruyama indicated it might buy the City some time and outlined a couple of options.

Mayor Ives asked if the City was able to pay the PERS pre-payment all off, would it shield us from reformulations in the future. Ms. Haruyama stated it depended and that staff was going to meet with an actuary to look at all options.

Mayor Ives invited members of the public to address Council.

Robert Tanner, 1371 Rusher Street, referred to recommendation number 2 asking if the \$950,000 was all taxes or just Measure E. Ms. Haruyama indicated it was all sales tax. Mr. Tanner asked if the budget was increased, would it allow the City to spend those funds. Ms. Haruyama indicated it was more of a transparency issue. Mr. Tanner referred to number 3 which discusses General Fund reserve fund options. Ms. Haruyama indicated it was looking at other options. Mr. Tanner stated he finds it disheartening that expenses are still climbing when the City is trying to make every effort to reach a balanced budget.

Mayor Ives indicated it was a policy option for this Council and future Councils. Mayor Ives indicated it was important to see what was driving costs up and most appear to be out of the Council's control.

Council Member Rickman indicated the Council has not given up and may have to look at other options.

Council Member Manne indicated the positive was that Council and staff were looking for changes in policies that could help.

Ms. Haruyama stated the peak revenue for Measure E is expected to be \$6.3 million and within two years the City has implemented procedures to cut that in half.

It was moved by Mayor Pro Tem Maciel and seconded by Council Member Manne to accept the report. Voice vote found all in favor; passed and so ordered.

It was moved by Mayor Pro Tem Maciel and seconded by Council Member Manne to adopt Resolution 2013-038 authorizing a Fiscal Year 2012/2013 General Fund budget adjustment in the amount of \$900,000, increasing General Fund sales tax revenue. Voice vote found all in favor; passed and so ordered.

It was moved by Mayor Pro Tem Maciel and seconded by Council Member Rickman to direct staff to explore General Fund Reserve Policy Options including the Designation/Allocation of Excess Revenue and Development of New Reserves. Voice vote found all in favor; passed and so ordered.

7. RECEIVE REPORT ON THE TRACER TRANSIT SYSTEM - Ed Lovell, Management Analyst II, provided the staff report. Mr. Lovell stated the City of Tracy owns the TRACER transit system and contracts out the operation of the vehicles. The current contractor is MV Transportation. The TRACER consists of both fixed route and paratransit service with a fleet of 13 buses and 2 minivans. Transit operations occur from 7 a.m. to 7 p.m. Monday through Friday and from 9 a.m. to 5 p.m. on Saturday. In FY 11/12, the TRACER transit system overall had 109,645 passengers, averaging approximately 350 passengers per day of operation.

Fixed route service provides service to passengers along designated routes that travel through various parts of the City. Most major destinations are served by one or more fixed routes including Wal-Mart, the West Valley Mall, the Tracy Outlets, all major supermarkets, and all high and middle schools. The fixed route service operates three core routes during all hours of operation, and three commuter routes with service limited to one morning run and two afternoon runs. The three core routes operate on an hourly headway, with 30 minute service available on two of the routes during peak periods in the afternoon. In FY 11/12, the fixed route service alone carried 91,703 passengers, averaging approximately 293 passengers per day of operation.

Paratransit service is provided to ADA eligible persons and those who are 65 and older. This service provides door to door service and operates during the same hours as the fixed route service. Additionally, after hours service is available to paratransit passengers through a subsidized taxi program. In FY 11/12, the paratransit service provided rides to 17,942 passengers, averaging approximately 57 passengers per day of operation.

Ridership on the fixed route has remained steady and is continuing to grow, while paratransit ridership has been decreasing as more certified paratransit passengers are taking advantage of the lower fares on the fixed route. A spike in gas prices during FY 08/09 was the cause of the huge ridership increase that year, while a fare increase in July 2010, was the cause of the noticeable drop in ridership in FY 10/11.

Mayor Pro Tem Maciel referred to various improvements asking if any General Fund money was used. Mr. Lovell indicated no General Fund monies were used on these projects.

Mayor Ives referred to wording regarding ADA eligibility. Mr. Lovell indicated the priority goes to projects that are ADA certified. Mayor Ives asked how the City's relationship was with the Regional Transit District (RTD). Mr. Lovell indicated they were a different entity with no fund sharing between them and the City. Mr. Lovell indicated RTD does come into the City and provides transit to a couple of destinations. Mr. Lovell indicated they deal with RTD through the San Joaquin Council of Government to discuss ways to divide funding.

Cindy Gustafson, Tracy Senior Advocacy Association, thanked the City for lowering fees for seniors, and encouraged Council and staff to continue expanding the paratransit service for seniors in the community.

Robert Tanner asked if a study has been done by the transit district to determine why paratransit ridership has been decreasing. Mr. Lovell indicated they were seeing more paratransit users using the fixed route which costs less.

It was moved by Mayor Pro Tem Maciel and seconded by Council Member Manne to accept the report on the Tracer Transit System. Voice vote found all in favor; passed and so ordered.

8. RECEIVE UPDATE AND PROVIDE INPUT ON AIRPORT IMPROVEMENT OPTIONS - Ed Lovell, Management Analyst II, provided the staff report. Mr. Lovell stated that on October 18, 2011, Council and the Transportation Advisory Commission held a joint meeting to discuss future improvements for the Tracy Municipal Airport. During that meeting, a list of items was presented to Council for consideration to address various issues at the Airport. Many of the Airport Improvement Options on the Short Term list were presented with the Airport Fund as the potential funding source. In its present state, the Airport Fund would not be able to support any of the options listed without having a negative impact on the operating budget.

S-1: Install T-hangars: On Hold – Design Completed - Working with the Federal Aviation Administration (FAA), staff has been able to complete the design work for the hangar project using funds in an existing grant. Since pavement at the Airport is a high priority, the construction of this project will be put on hold until after the pavement project is complete and additional funding is secured. Concurrently, staff will continue to seek alternative funding options for construction.

S-12: Construction of a Restaurant/Café: Lease Negotiation in Progress - Staff has met with Tracy Air Center (TAC), the current fuel operator at the Airport, and discussed a preliminary design concept for a restaurant at the Tracy Municipal Airport. Staff is currently negotiating with TAC to develop a suitable lease agreement which will require approval by Council. This will be in conjunction with a separate corporate hangar lease agreement.

S-14: Runway Repairs and Fencing at New Jerusalem Airport: Complete - Construction for this project has been completed. The project was scheduled to be accepted by Council on February 19, 2013.

S-15: FAA to Survey Runway Ends on Runway 8/26: Complete - Runway 8/26 has relocated thresholds at both ends of the runway. The City has asked the FAA for clarification as to why the runway ends must be marked as relocated. On May 15, 2012, staff received a letter from the FAA stating that the relocated runway thresholds were needed to meet FAA design standards for the Runway Safety Area (RSA), due to the close proximity of the Delta Mendota Canal and Tracy Blvd. This item is now complete.

S-17: Seal Coat on Runways and Taxiways - On June 28, 2012, staff issued a Request for Qualifications (RFQ) for an Airport consultant. Council approved, R.W. Brandley, Consulting Airport Engineer as the City's Airport consultant. On October 2, 2012, City Council approved Task Order 1 to a Professional Services Agreement with R.W. Brandley, Consulting Airport Engineer. Task Order 1 is to create a Pavement Maintenance/Management Plan (PMMP). This will include a detailed geotechnical study, a pavement condition survey, and a deep-seated distress fatigue analysis.

Preliminary data from the PMMP showed the need to do a complete overlay on the runways, taxiways, and apron area. This was submitted as a project to the FAA as part of the City's Airport Capital Improvement Program (ACIP). A grant application was submitted to the FAA on January 31, 2013, requesting that all phases of the pavement project be funded this year. A categorical exclusion for environmental work on the project has already been submitted to and approved by the FAA. The timeframe for the project will depend on the ability to obtain funding.

Pavement Evaluation Management Study: Start - October 2012, Done - December 2012 - (completed, awaiting final report).

Airport Capital Improvement Plan: Submit: January 2013 (Completed)

FAA Approval to Design Pavement Rehab Project: February 2013 (Completed)

Design Pavement Rehab Project: Start: February 2013 - Done: April 2013

FAA Approval to Bid Project: April/May 2013

Bid Project: May 2013 - FAA Approval to Award Project: June 2013 –

Start Project June/July 2013 - Project Completed July/August 2013

S-22: Balance Airport Operating Budget by FY15/16 - The item is key to realizing any future growth and sustainability at the Airport. When this item was first presented at the January 17, 2012, Council meeting, Council gave approval to move forward with a five step financial strategy to help the Airport achieve financial stability.

STEP 1: Debt Service Reconciliation: Completed - At the January 17, 2012, City Council meeting, Council approved the consolidation of four loans from the Water Fund to the Airport Fund. This action allows the Water Fund to be made whole and for the Airport Fund to make reasonable payments in order to do so.

STEP 2: FTE Evaluation: Ongoing - The Airport Operating Budget consists of the following positions: Airport Coordinator (1 FTE), Senior Maintenance Worker (0.5 FTE), Management Analyst II (0.1 FTE), and Transportation Commissioners (0.12 FTE). A total of 1.72 FTEs are currently in the Airport Operating Budget. This is down from 1.92 FTEs in FY11/12. A continual analysis of FTEs within the Airport Operating Budget will occur annually during budget preparation.

STEP 3: Hangar Development: On Hold - Construction of 42 new T-hangars will be temporarily postponed. Once the pavement issues are addressed, the Airport can then again utilize saved entitlement funds to assist with the construction of the T-hangars.

STEP 4: Capital Improvements: In Progress - Staff is working with the Tracy Air Center on negotiating a ground lease for the construction of corporate hangars and a restaurant at the Tracy Airport.

STEP 5: Future Planning: Not Started - The medium term items M-1 and M-2 are being considered to be combined to conduct a comprehensive study that will identify the optimal runway length that will maximize economic opportunities for the Airport as well as locations that could accommodate an Airport with such a runway length. Subsequent actions may include evaluating the feasibility of Airport development opportunities and creating a business plan for the Airport. The first step in this process was to identify current runway lengths (See S-21) which has been completed. Staff is working with the FAA to further define the study that would be appropriate for Tracy to conduct to achieve this purpose.

FBO Repairs: Under Construction - Roof repairs on the FBO building have been completed. The drainage issues along the office side of the FBO building have also been addressed. An RFP is currently being prepared for release to address the drainage issues in front of the hangar doors of the FBO building.

The following projects are scheduled to be worked on by staff during FY 12/13. Completion of these items will be dependent on the availability of funding.

S-5: Install Taxiway reflectors or lights - During the latest inspection by Caltrans, it was suggested to install either reflectors or lights on the taxiways in order to increase visibility at night. The estimated cost for this item is \$6,000 and the potential funding source is Caltrans. This will be looked at to be addressed during the pavement project.

S-7: Investigate LED Test Beacon - Determine if there is an LED manufacturer who would be willing to provide an Airport beacon which utilizes LED lights for testing purposes at the Tracy Airport. This would be funded by the private company should one be found who would be willing to design such a beacon.

S-8: Remote Control to Open the Gates: Completed - Installation of a device which would allow for the opening of the Airport gate from inside the Airport. This would allow pilots who are landing after business hours to open the gates and allow those who may be coming to meet them to get into the Airport. Estimated cost is \$750 and the potential funding source is the Airport Fund. As an alternate solution to this item, and in an effort to retain the security around the Airport, staff has programmed the keypads with a code that is a variation of a published Airport frequency, which is generally known to pilots and users of the Airport. This solution did not cost any additional funds and allows for access to the Airport after normal business hours.

S-9: Shorten 3 and Remove 1 Obstruction Light - As part of the latest inspection by Caltrans, it was suggested to shorten 3 and remove one of the obstructions lights in the south hangar area. Estimated cost is \$2,000 and the potential funding source is Caltrans.

S-10: Investigate Advertising on Hangars - As a means of generating revenue for the Airport, staff will investigate options to solicit advertising space on the hangars at the Airport. There is no cost for staff to investigate this item.

S-13: Install a Speaker to Listen to Pilots Over the Radio - Installation of a device that allow for visitors to listen to what pilots say over their radios. The estimated cost for this is approximately \$300. The Tracy Airport Association (TAA) has agreed to pay for the installation of this.

S-16: Relocate Taxilane Adjacent to Fuel Farm - Caltrans recommendation. This would give larger aircraft a wider taxilane around the fuel farm. Estimated cost is \$3,000 and the potential funding source is Caltrans. This will be looked at to be addressed during the pavement project.

S-18: Additional Security Fencing North of Runway 26 - There is a gap in the fencing of approximately 600 feet which needs to be closed off for security purposes. Estimated cost is \$9,000 and the potential funding source is Caltrans.

S-19: Removal of Aligned Taxiway - The FAA has required that the aligned taxiways at both ends of runway 08/26 be eliminated. The estimated cost for this is \$100,000 and

the potential funding source is the FAA. It is anticipated that this work will be completed in conjunction with the runway paving project.

S-25: Investigate Installation of a Water Connection from the Water Treatment Plant to the South Side of the Airport - There is no water access on the south side of the Airport. It is recommended that staff investigate the cost to install a water connection from the Water Treatment Plant in order to provide water to the south side of the Airport. There is no cost to investigate this item.

M-1: Update Airport Master Plan (including a Business Plan and Minimum Standards Document) - The City Council approved the Airport Master Plan in 1998. The Airport Master Plan projects aviation activities and facility requirements through 2016. This would result in the hiring of a consultant to update the Airport Master Plan, including a Business Plan for future Airport investment strategies. Additionally, adoption of standards for design, rates, and private and general ground lease structure, would assist in setting standards for future development at the Airport. The estimated cost for this item is \$400,000 and the potential funding source is from an FAA grant, State grant and the Airport Enterprise Fund.

M-2: Airport Site Study - The Airport is somewhat limited in its growth due to the surrounding development. A site study would take into consideration an ideal location for a new Airport which could grow much larger and accommodate larger airplanes than the current one. The estimated cost for this item is \$200,000 and the potential funding source is the FAA.

There are no impacts to the General Fund for this item. Any project that has the Airport Fund identified as the funding source will be carefully evaluated to determine its overall fiscal impact, including any associated ongoing operational costs.

Staff recommended that Council accept the report and provide input on Airport Improvement Options.

Mayor Ives asked for the total cost of the re-pavement project. Mr. Lovell indicated \$15 million.

George Riddle, 1850 Harvest Landing Lane, stated the cornerstone of operations is the runway and encouraged Council and staff to hurry the runway project along. Mr. Riddle asked if any of the \$15 million would come from General Fund. Rod Buchanan, Interim Director of Public Works, indicated some matching funds may be required.

It was moved by Mayor Pro Tem Maciel and seconded by Council Member Manne to accept the report regarding the Airport improvement options. Voice vote found all in favor; passed and so ordered.

9. SECOND READING AND ADOPTION OF ORDINANCE 1183 AN ORDINANCE OF THE CITY OF TRACY, CALIFORNIA AMENDING CHAPTER 11.30 OF THE TRACY MUNICIPAL CODE, "RECYCLED AND NON-POTABLE WATER" – The Clerk read the title of proposed Ordinance 1183.

It was moved by Mayor Pro Tem Maciel and seconded by Council Member Rickman to waive reading of the text. Voice vote found all in favor; passed and so ordered.

It was moved by Mayor Pro Tem Maciel and seconded by Council Member Rickman to adopt Ordinance 1183. Roll call vote found all in favor; passed and so ordered.

10. ITEMS FROM THE AUDIENCE – None.

11. COUNCIL ITEMS

Mayor Pro Tem Maciel announced that John Serpa, former Captain of the Police Department, passed away.

12. ADJOURNMENT – It was moved by Council Member Rickman and seconded by Mayor Pro Tem Maciel to adjourn. Voice vote found all in favor; passed and so ordered Time: 10:41 p.m.

The above agenda was posted at the Tracy City Hall on February 28, 2013. The above are summary minutes. A recording is available at the office of the City Clerk.

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Mayor

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City Clerk