

May 21, 2013, 6:00 p.m.

City Council Chambers, 333 Civic Center Plaza

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

1. Mayor Ives called the meeting to order at 6:00 p.m.
2. Roll call found Council Members Manne, Rickman, Mayor Pro Tem Maciel and Mayor Ives present; Council Member Young absent.
3. ITEMS FROM THE AUDIENCE – None.

Council Member Young joined the meeting at 6:01 p.m.

4. CONDUCT A BUDGET WORKSHOP – Leon Churchill, Jr., City Manager, provided introductory remarks and introduced Robert Harmon, Senior Accountant, who provided the staff report. Mr. Harmon provided a review of the operating, capital, and debt service budget as proposed by the City Manager. Mr. Harmon indicated this was the first proposed budget since FY 2006-07 that did not use reserves. Mr. Harmon outlined reasons for the improved budget including a rebound in sales tax, auto sales tax, and a slight increase in property tax.

Mr. Harmon outlined four new positions that were proposed for FY 2013-14, noting that 112 Full Time Equivalents (FTEs) have been eliminated since 2006-07.

Mr. Harmon outlined continued concerns for the City including: high unemployment, continued challenge to balance budget without Measure E, and continued increases in Public Employees Retirement System (CalPERS) rates.

The FY 2013-14 proposed budget is as follows for all funds:

Operating Budget	\$117,724,750
Capital Budget	\$ 57,464,300
Debt Service	\$ 20,696,850
Total Budget	\$195,885,900

Mayor Pro Tem Maciel asked if the property tax projections take into account the inclusion of proposed annexations into the City such as Ellis and Cordes Ranch. Mr. Churchill stated the numbers were based on actual development currently within the City.

Council Member Manne asked if any consideration was given regarding the City's aging workforce and FTE's. Maria Hurtado, Assistant City Manager, stated the initial workforce reduction included a complete workforce analysis on retirements that were occurring, and those have been taken into consideration. Ms. Hurtado stated an analysis has been completed on retirements that are contemplated for the next five years, and each position, at that time, will be evaluated to assess whether it is still a priority position.

Council Member Young asked if additional staff would be requested. Allan Borwick, Budget Officer, stated the reason the City is able to add four positions is because of retirements, and those vacated positions would remain vacant. Ms. Hurtado added that the current FTE estimate for FY 2013-14 are actual positions that the City plans to fill and any future vacancies due to attrition would be addressed as they occur.

Council Member Rickman asked for the City's reserve balance. Mr. Churchill stated approximately \$22 million. Council Member Rickman asked if there was a plan in place in case the City does not meet its goal of having a balanced budget at the time Measure E sunsets. Mr. Churchill stated the first goal is to reach the point where revenues meet expenditures at the expiration of Measure E. Mr. Churchill added beyond that, the decisions will be to continue to reduce expenditures by whatever means necessary to achieve that goal. Mr. Churchill further stated that the Council, at that time, will have to consider whether the need to meet revenues versus expenditures is absolute.

Mayor Ives stated the last 23 budgets he has been involved with have always included a conservative forecast and asked if the proposed budget was similar in approach. Mr. Churchill stated the budget was conservative in general and by nature. Mr. Churchill provided examples of conservatism in the budget.

Mayor Ives referred to the eight point plan outlined during the presentation and asked if something else was coming. Mr. Churchill indicated it was the same plan that is being refreshed by looking at where revenues can be maximized and where the costs of doing business can be reduced.

Mayor Ives referred to a point in the presentation that indicated the improved economy was worth \$1 million, asking if that was also conservative. Mr. Churchill stated it was very conservative and that it had already been surpassed.

Mayor Ives asked for clarification of the projected excess Measure E funds of \$1.6 million. Mr. Churchill stated the \$1.6 million was the cumulative total for Measure E. Mayor Ives asked if the current plan was to have any excess Measure E funds placed in the economic uncertainty fund. Mr. Churchill stated it was a natural holding spot for the funds, and that next spring Council will have additional discussions on the matter.

Mayor Ives asked Andrew Malik, Development Services Director, to outline how the additional FTE in the Economic Division would help him. Mr. Malik indicated the additional FTE would help the division keep up, along with the additional augmentation of a consultant on the manufacturing and retail side.

Mayor Ives asked if staff would articulate "the boulders running down the hill" and items out of the City's control. Mr. Churchill stated the City was aware of the concerns in our future related to CalPERS which will affect the 2015-16 budget. Mr. Churchill indicated it will force cities to use more consultants and part-time staff which will create a more nimble organization. Mr. Churchill stated he believes the City is well positioned.

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

Council Member Rickman asked if staff was ensuring that the City was getting the best deal when renegotiating consultant contracts. Mr. Churchill responded yes, as long as the City can maintain a competitive environment. Mr. Churchill added that the paradox of which is more costly; switching consultants which becomes an expensive process because of a learning curve, or maintaining consultants that have worked on major projects such as water and wastewater. Mr. Churchill stated the number one goal was to maintain a competitive environment.

Council Member Rickman asked if the City has asked consultants to lower their fees. Mr. Churchill indicated it was his understanding that some of these consultants have not increased their fees for several years.

Council Member Rickman asked if the City was relying on any state programs to balance the budget. Mr. Churchill stated there were no federal or state funds assumed for the budget. Mr. Churchill added on a capital or project basis, the City will continue to leverage outside resources.

Council Member Manne referred to the reduction in staff and asked if consultants were used to better steer the ship or as a tool due to lack of man hours. Mr. Churchill stated consultants were needed in areas where demand is more sporadic, over a short period of time, or for a skill set the City does not have in house.

Council Member Young asked if consultant contracts were set for a specific period of time. Mr. Churchill stated even with long time consultants there are termination clauses for each party. Mr. Churchill added that most contracts were project specific and very finite.

Mayor Ives asked Mr. Churchill to address levels of service. Mr. Churchill stated he could not say that service levels have remained the same over the last several years, but were appropriate and meet the needs of the community.

Council received the report.

5. Adjournment - It was moved by Mayor Pro Tem Maciel and seconded by Council Member Manne to adjourn. Voice vote found all in favor; passed and so ordered. Time 6:43 p.m.

The above agenda was posted at the Tracy City Hall on May 16, 2013. The above are summary minutes. A recording is available at the office of the City Clerk.

Mayor

City Clerk