

NOTICE OF SPECIAL MEETING

Pursuant to Section 54956 of the Government Code of the State of California, a Special meeting of the **Tracy City Council** is hereby called for:

Date/Time: **Tuesday, March 9, 2021 at 6:00 p.m.**
(or as soon thereafter as possible)

Location: **Tracy City Hall**
333 Civic Center Plaza, Tracy

THIS SPECIAL MEETING WILL BE CONDUCTED PURSUANT TO THE PROVISIONS OF THE GOVERNOR'S EXECUTIVE ORDER N-29-20 WHICH SUSPENDS CERTAIN REQUIREMENTS OF THE RALPH M. BROWN ACT

RESIDENTS ARE STRONGLY ENCOURAGED TO PARTICIPATE REMOTELY AT THE MARCH 9, 2021 SPECIAL MEETING

Government Code Section 54954.3 states that every public meeting shall provide an opportunity for the public to address the Tracy City Council on any item, before or during consideration of the item, however no action shall be taken on any item not on the agenda.

Remote Access to City of Tracy Council Meeting:

In accordance with the guidelines provided in Executive Order N-29-20 on social distancing measures, the City of Tracy will allow for remote participation at the upcoming Special City Council meeting on Tuesday, March 9, 2021.

As always, the public may view the City Council meetings live on the City of Tracy's website at www.CityofTracy.org or on Channel 26. To view from the City's website, select "Watch Live Council Meetings" from the drop down menu "Select an Online Service" at the top of the City's homepage. You will be directed to the "Council Meeting Videos" page where you may select the video for the appropriate date under "Upcoming Events."

If you only wish to watch the meeting and do not wish to address the Council, the City requests that you stream the meeting through the City's website or watch on Channel 26.

Remote Public Comment:

*Public comment, limited to 250 words or less, submitted via email **will be accepted for agenda items before the start of the Council meeting at 5:00 p.m.** Please send an email to publiccomment@cityoftracy.org and identify the item you wish to comment on in your email's subject line.*

During the upcoming Council meeting public comment will be accepted via the options listed below. If you would like to comment remotely, please follow the protocols below:

- *Comments via:*
 - **Phone** by dialing (209) 831-6010, or
 - **Online by visiting** <https://cityoftracyevents.webex.com> and using the following **Event Number:** 182 608 4055 and **Event Password:** TracyCC
 - ***If you would like to participate in the public comment anonymously***, you may submit your comment via phone or in WebEx by typing "Anonymous" when prompted to provide a First and Last Name and inserting Anonymous@example.com when prompted to provide an email address.
- *Protocols for submitting comments by **phone**:*

- *Comments received by phone for the “Items from the Audience/Public Comment” portion of the agenda must be received by the time the Mayor opens that portion of the agenda for discussion.*
 - *Comments received by phone on each “Agendized Item” will be accepted until the Mayor announces that public comment for that item is closed.*
 - *Protocols for commenting via WebEx:*
 - *If you wish to comment under “Items from the Audience/Public Comment” portion of the agenda:*
 - *Listen for the Mayor to open “Items from the Audience/Public Comment”, then raise your hand to speak by clicking on the Hand icon on the Participants panel to the right of your screen.*
 - *If you no longer wish to comment, you may lower your hand by clicking on the Hand icon again.*
 - *Comments for the “Items from the Audience/Public Comment” will be accepted until the public comment period is closed.*
 - *The total allotted time for public comment under “Items from the Audience/Public Comment” will be 15 minutes:*
1. Call to Order
 2. Roll Call
 3. Items from the Audience - Items from the audience - *In accordance with Council Meeting Protocols and Rules of Procedure, adopted by Resolution 2019-240, a five-minute maximum time limit per speaker will apply to all individuals speaking during “Items from the Audience/Public Comment”. For non-agendized items, Council Members may briefly respond to statements made or questions posed by individuals during public comment; ask questions for clarification; direct the individual to the appropriate staff member; or request that the matter be placed on a future agenda or that staff provide additional information to Council.*
 4. ACCEPT FINANCIAL FORECAST REPORT FROM MANAGEMENT PARTNERS; ADOPT COUNCIL GUIDING BUDGET PRINCIPLES; EXTEND COUNCIL AD-HOC FISCAL SUSTAINABILITY COMMITTEE; CONSIDER FISCAL SUSTAINABILITY STRATEGIES PROPOSED BY THE AD-HOC COMMITTEE; AND PROVIDE DIRECTION TO STAFF
 5. Council Items and Comments
 6. Adjournment



Mayor

Posting Date: Thursday, March 4, 2021

The City of Tracy complies with the Americans with Disabilities Act and makes all reasonable accommodations for the disabled to participate in public meetings. Persons requiring assistance or auxiliary aids in order to participate should call City Hall (209-831-6105), at least 24 hours prior to the meeting.

Any materials distributed to the majority of the Tracy City Council regarding any item on this agenda will be made available for public inspection in the City Clerk's office located at 333 Civic Center Plaza, Tracy, during normal business hours.

AGENDA ITEM 4

REQUEST

ACCEPT FINANCIAL FORECAST REPORT FROM MANAGEMENT PARTNERS; ADOPT COUNCIL GUIDING BUDGET PRINCIPLES; EXTEND COUNCIL AD-HOC FISCAL SUSTAINABILITY COMMITTEE; CONSIDER FISCAL SUSTAINABILITY STRATEGIES PROPOSED BY THE AD-HOC COMMITTEE; AND PROVIDE DIRECTION TO STAFF

EXECUTIVE SUMMARY

The City Council will receive a presentation from Management Partners on the projected fiscal health of the City's General Fund. This report also includes an update from the City Council Ad-Hoc Fiscal Sustainability Committee, comprised of Mayor-Pro-Tempore Vargas and Council Member Arriola.

The City Council will be asked to consider three actions as part of this agenda item. The first is to adopt a resolution affirming the guiding budget principles developed by the Ad-Hoc Fiscal Sustainability Committee and discussed as part of the January 12, 2021 Fiscal Sustainability Council Workshop. The second action item is to consider a one-year extension of the Council Fiscal Sustainability Ad-Hoc Committee. The third is to provide direction, by motion, about recommended fiscal sustainability strategies proposed by the Ad-Hoc Committee.

DISCUSSION

On May 19, 2020, the City Council adopted Resolution 2020-067, which formed a Council Fiscal Sustainability Ad-Hoc Committee to guide the development of a long-term strategic plan to ensure the City can meet the growing service needs of the community. The Committee's scope was to provide policy guidance as it relates to the development of a multi-year fiscal sustainability plan to address the City's structural deficit and impacts associated with COVID-19.

In July 2020, the Council appointed Council Members Vargas and Arriola to the Ad-Hoc Committee. The Ad-Hoc Committee met regularly over a period of six months with the City Manager, Finance Director and consultants from Management Partners to discuss the City's fiscal condition and explore long-term strategies to improve the City's fiscal health. Specific discussion items included:

- Governmental Budgeting
- City Adopted Budget
- Financial Forecasting Tools and Practices
- City's 5-Year Financial Forecast
- Budget Policy Framework for Decision Making
- Short and Long Term Budget Strategies
- Tracy Financial Principles.


- Tracy Fiscal Sustainability Strategies

Guiding Budget Principles and Fiscal Sustainability Strategies

As part of the Council Ad Hoc Committee meetings, Management Partners developed and presented a fiscal model that showcased the City's existing General Fund's structural deficit and highlighted the impacts of COVID. The model was developed to provide a high-level overview of current trends and how fiscal policy decisions could potential play out over time. The Ad-Hoc Committee considered a variety of short and long term budget strategies that further informed the recommended guiding budget principles (Attachment A) and fiscal sustainability strategies (Attachment B).

At its January 12, 2021 Council Workshop, the Council was introduced to the City's interactive financial modeling tool and recommended guiding budget principles. The Council directed staff to bring back the guiding budget principles for approval as part of a future fiscal sustainability discussion. The principles are attached to this report for Council consideration.

After careful consideration, the Ad-Hoc Committee formulated various fiscal sustainability strategies to address the City's short and long-term project General Fund deficit. The attached strategies are presented with the following ranking indicators:

 = Preferred  = Potential  = Least preferred

A green dot is the most preferred approach, while a yellow dot indicates a potential approach, but would need further refinement. The red dot is the least preferred approach.

Staff is seeking Council direction regarding the proposed fiscal sustainability strategies and preferences regarding recommended strategy ranking.

Extension of the City Council Fiscal Sustainability Ad-Hoc Committee

The City Council approved the initial term of the Ad-Hoc Committee through December 31, 2020. Since the formation of the Ad-Hoc Committee, the Committee has worked with staff to develop proposed guiding budget principles and recommended fiscal sustainability strategies. An extension of the Ad Hoc Committee is necessary to enable the Committee to complete the development of the fiscal sustainability plan and provide guidance on any related fiscal policies for Council consideration. Staff recommends that Council adopt a resolution extending the term of the Council Fiscal Sustainability Ad-Hoc Committee through December 31, 2021 (Attachment C). As an alternative, the City Council may provide other direction to staff.

STRATEGIC PLAN

This agenda item supports the Council's 2021-2023 proposed strategic priorities under Governance. Specifically, this item facilitates the development and implementation of a fiscal sustainability plan to address the City's projected General Fund deficit.

FISCAL IMPACT

There is no fiscal impact associated with accepting the financial forecast presentation or providing direction to explore recommended fiscal sustainability strategies. The table below reflects estimated targets for each strategy category. The estimated target for preferred strategies (green) could potentially garner \$13M in savings or increased revenues over the next few years.

Strategy Type	Fiscal Impact by Ranking			
	●	●	●	Total
Revenue Enhancements	\$ 8,750,000	\$ –	\$ 1,000,000	\$ 9,750,000
Expenditure Controls/Cost Shifts	1,500,000	3,000,000	–	4,500,000
Service Delivery Alternatives	1,500,000	–	–	1,500,000
Subtotal before Service Level Reductions	11,750,000	3,000,000	1,000,000	15,750,000
Service Level Reductions	1,700,000	500,000	1,000,000	3,200,000
Total – All Strategy Types	\$ 13,450,000	\$ 3,500,000	\$ 2,000,000	\$ 18,950,000

RECOMMENDATION

It is recommended that the City Council take the following action:

1. Adopt a resolution approving proposed guiding budget principles
2. Provide direction regarding recommended fiscal sustainability strategies
3. Adopt a resolution extending the City Council Fiscal Sustainability Ad-Hoc Committee

Prepared by: Karin Schnaider, Finance Director

Reviewed by: Midori Lichtwardt, Assistant City Manager

Approved by: Jenny Haruyama, City Manager

ATTACHMENTS

- Attachment A: Guiding budget principles
- Attachment B: Recommended Fiscal Sustainability Strategies
- Attachment C: Resolution 2020-067 Establishing the Council Ad Hoc Fiscal Sustainability Committee

City of Tracy

Proposed Guiding Budget Principles

The Council Financial Sustainability Ad Hoc Committee is recommending that the City Council establish a set of budget principles to guide future policy makers and staff to ensure the long-term financial sustainability of the City. The budget principles that are listed below reflect feedback provided by the Ad Hoc Committee and serve as a starting point for consideration in Tracy. The set that is ultimately approved by Council may result in new or updated Council policy.

Reviewed and discussed with the Tracy Financial Sustainability Council Ad Hoc Committee:

1. Ongoing expenditures should be supported by ongoing revenues.
2. Reserves and one-time revenues should not be used for ongoing expenditures on a continuous basis.
3. Any structural gap in a long-term financial forecast should be addressed in such a way that it is eliminated no later than the final year of the forecast (not to exceed 10 years).
4. Consistent with GFOA recommendations, the General Fund catastrophic reserve should be maintained at a minimum of 17% of annual operating revenue/expenditure, in addition to a budget stabilization reserve which should be maintained at a minimum of 13%.
5. When capital projects are considered, all associated costs - including annual operating expenses and any additional future costs - should be identified in order to properly assess future financial impacts.
6. Each enterprise fund should reflect the true cost of operations and be self-reliant upon fees and/or use rates paid by ratepayers.
7. Activities that are supported by user fees should be fully cost recoverable, except for Council-approved subsidized programs and events.
8. Private development should not be subsidized by public funds.
9. In general, it is preferred that discretionary General Fund revenues not be earmarked in order to allow for maximum flexibility when making funding decisions.
10. Budget development should be guided by a long-term financial plan proposed by the City Manager and adopted by the City Council and should include such considerations as the cost of deferred maintenance and unfunded liabilities.
11. Once adopted, annual budgets should be amended only when necessary and should identify a specific funding source for any new priorities.
12. Service level reductions will only be implemented if other strategies are not possible or cannot be achieved in a timely fashion.

Proposed Tracy Fiscal Sustainability Strategies

Revenue Enhancements

ID #	Ranking ¹	Title	Est Fiscal Target	Potential Timing
1	●	Revise business license tax	\$4,300,000	Nov. 2022 Election
2	●	Implement cannabis tax	\$1,500,000	FY 2023
3	●	Review fees and charges	\$750,000	FY 2022 and annually updated
4	●	Use Measure V to support amenities	\$2,200,000	FY 2023
5	●	PW/PD Services and Park Landscape Assessments	\$1,000,000	FY 2023
Total Revenue Enhancement Strategies			\$9,750,000	

Expenditure Controls/Cost Shifts

ID #	Ranking ¹	Title	Est Fiscal Target	Potential Timing
5	●	Reduce subsidies Recreational and cultural arts program	\$1,500,000	FY 2023
6	●	Conduct Citywide organizational assessment	\$750,000	FY 2023
7	●	Implement staffing initiatives to reduce cost	\$2,250,000	FY 2022
Total Expenditure Controls/Cost Shifts			\$4,500,000	






Service Delivery Alternatives

ID #	Ranking ¹	Title	Est Fiscal Target	Potential Timing
9	●	Explore Public Safety services delivery alternatives	\$1,500,000	FY 2023
Total Service Delivery Alternatives Strategies			\$1,500,000	




Ranking Indicators:

● = Preferred ● = Potential ● = Least preferred

Service Level Reductions

ID #	Ranking ¹	Title	Est Fiscal Target	Potential Timing
10		Evaluate current vacant positions	\$1,700,000	FY 2022
11		Reorganize City administration programs	\$500,000	FY 2022
12		Reduce Parks maintenance	\$500,000	FY 2022
13		Reduce Pavement standards	\$500,000	FY 2023
14		Defer Measure V capital projects	Undetermined	Depends on timing of construction
Total Service Level Reduction Strategies			\$3,200,000	

Fiscal Impact Analysis

Strategy Type	Fiscal Impact by Ranking			
				Total
Revenue Enhancements	\$ 8,750,000	\$ -	\$ 1,000,000	\$ 9,750,000
Expenditure Controls/Cost Shifts	1,500,000	3,000,000	-	4,500,000
Service Delivery Alternatives	1,500,000	-	-	1,500,000
Subtotal before Service Level Reductions	11,750,000	3,000,000	1,000,000	15,750,000
Service Level Reductions	1,700,000	500,000	1,000,000	3,200,000
Total – All Strategy Types	\$ 13,450,000	\$ 3,500,000	\$ 2,000,000	\$ 18,950,000

Fiscal Impact Goal: \$9 million starting in FY 2023; \$5 million restoration in FY 2029

(Borrowing \$7 million in Budget/Economic Stabilization Reserves in FY 2019-22, to be paid back FY 2026; and borrowed \$2.2M in Measure V in FY 2020-21, to be paid back in FY 2024)

Ranking Indicators:

 = Preferred  = Potential  = Least preferred

RESOLUTION 2020-067

ESTABLISHING THE COUNCIL AD HOC FISCAL SUSTAINABILITY COMMITTEE

WHEREAS, The City Council may establish advisory committees to address an explicit purpose or need, and

WHEREAS, Advisory committees that are of limited duration (typically no more than a year), and are comprised of less than three members are known as "ad hoc" committees and are not subject to the Ralph G. Brown Act's requirements, and

WHEREAS, Council desires to establish an Ad Hoc Fiscal Sustainability Subcommittee, effective July 1, 2020 through December 31, 2020, and

WHEREAS, At the April 7, 2020 Council Meeting two Council members (Council Member Arriola and Council Member Vargas) were appointed to the ad hoc committee, and

WHEREAS, The scope of the Council Ad Hoc Committee is to provide policy guidance as it relates to the development of a multi-year fiscal sustainability plan to address the City's structural deficit and impacts associated with COVID-19, and

WHEREAS, Approaches may include, but are not limited to budget strategies and fiscal policies, related revenue enhancement, cost containment, and use of other revenue sources such as Measure V and/or General Fund Reserves, keeping in mind planned recreational amenities, and

WHEREAS, Budget approaches that would require good faith bargaining with labor groups would not be discussed as part of the fiscal sustainability planning process, and

WHEREAS, Quarterly updates to the City Council will be scheduled on the regular agenda to inform Council members and the public of the Ad Hoc Committee's discussions and recommendations regarding the multi-year fiscal sustainability plan, and

WHEREAS, The multi-year fiscal sustainability plan will be presented to Council by the Finance Director for their review and approval;

NOW, THEREFORE, BE IT RESOLVED, That the City Council of the City of Tracy hereby establishes the Ad Hoc Fiscal Sustainability Committee, to provide policy guidance as it relates to the development of multi-year fiscal sustainability.

The foregoing Resolution 2020-067 was passed and adopted by the Tracy City Council on the 19th of May, 2020, by the following vote:

AYES: COUNCIL MEMBERS: ARRIOLA, RANSOM, VARGAS, YOUNG

NOES: COUNCIL MEMBERS: RICKMAN

ABSENT: COUNCIL MEMBERS: NONE

ABSTAIN: COUNCIL MEMBERS: NONE


MAYOR

ATTEST:

CITY CLERK

RESOLUTION _____

ADOPT FINANCIAL PRINCIPLES FOR THE CITY OF TRACY

WHEREAS, At the April 7, 2020 Council meeting two Council members were appointed to an ad-hoc committee, and

WHEREAS, On May 19, 2020, the City Council adopted Resolution 2020-067 that established the City Council Fiscal Sustainability Ad-Hoc Subcommittee, effective July 1, 2020 through December 31, 2020, and

WHEREAS, The City Council Fiscal Sustainability Ad-Hoc Subcommittee met to develop Financial Principles, and

WHEREAS, The City Council desires to establish Financial Principles to provide policy guidance as it relates to the development of a multi-year fiscal sustainability plan to address the City's structural deficit and impacts associated with COVID-19, and

WHEREAS, At the January 12, 2021, the City Council was introduced to both the financial modeling tool created by Management Partners and Financial Principles during their Strategic Priorities and Workplan Workshops, and

NOW, THEREFORE, BE IT RESOLVED, That the City Council of the City of Tracy hereby adopts the Financial Principles presented to Council on March 9, 2021.

The Tracy City Council adopted the foregoing Resolution _____ on the 9th day of March, 2021, by the following votes:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

MAYOR

ATTEST:

CITY CLERK

RESOLUTION _____

EXTENDING THE COUNCIL AD HOC FISCAL SUSTAINABILITY
SUBCOMMITTEE FOR ONE YEAR TERM

WHEREAS, The City Council may establish advisory committees to address an explicit purpose or need, and

WHEREAS, Advisory committees that are of limited duration (typically no more than a year), and are comprised of less than three members are known as “ad hoc” committees and are not subject to the Ralph G. Brown Act’s requirements, and

WHEREAS, At the April 7, 2020 Council meeting two Council members were appointed to the ad-hoc committee, and

WHEREAS, The scope of the Council Ad-Hoc Subcommittee is to provide policy guidance as it relates to the development of a multi-year fiscal sustainability plan to address the City’s structural deficit and impacts associated with COVID-19, and

WHEREAS, Approaches may include, but are not limited to budget strategies and fiscal policies, related revenue enhancement, cost containment, and use of other revenue sources such as Measure V and/or General Fund Reserves, keeping in mind planned recreational amenities, and

WHEREAS, Budget approaches that would require good faith bargaining with labor groups would not be discussed as part of the fiscal sustainability planning process, and

WHEREAS, Quarterly updates to the City Council will be scheduled on the regular agenda to inform Council members and the public; and

WHEREAS, On May 19, 2020, the City Council adopted Resolution 2020-067 that established the City Council Fiscal Sustainability Ad-Hoc Subcommittee, effective July 1, 2020 through December 31, 2020, and

WHEREAS, The City Council desires to extend the City Council Fiscal Sustainability Ad-Hoc Subcommittee, effective January 1, 2021 through December 31, 2021;

NOW, THEREFORE, BE IT RESOLVED, That the City Council of the City of Tracy hereby establishes the formation, membership, term and scope of a Council ad-hoc subcommittee to guide the development of a fiscal sustainability plan.

Resolution _____

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The Tracy City Council adopted the foregoing Resolution _____ on the 9th day of March, 2021, by the following votes:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

MAYOR

ATTEST:

CITY CLERK