

December 6, 2011, 7:00 p.m.

City Council Chambers, 333 Civic Center Plaza

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

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

The invocation was provided by Pastor Edward Dondi, Church of the Resurrection.

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

Gene Birk provided a presentation regarding Brighter Christmas.

Mayor Pro Tem Maciel and Fire Chief Nero swore in Firefighters Steve Hanlon, Division Chief; Paul O'Neal, Captain, and Brian Bagley, Engineer.

Fire Chief Nero provided a presentation regarding holiday fire safety.

1. CONSENT CALENDAR – It was moved by Council Member Abercrombie and seconded by Council Member Elliott to adopt the Consent Calendar. Roll call vote found Council Members Abercrombie, Elliott, Rickman and Mayor Pro Tem Maciel in favor; Mayor Ives absent. Motion carried: 4:0:1.
 - A. Minutes Approval – Regular meeting minutes of October 4, 2011, and closed session minutes of November 15, 2011, were approved.
 - B. Adopt Resolution Approving the Annual Report on Development Impact Fee Revenues and Expenditures, and Making Findings as to Unexpended Funds – Resolution 2011-218 approved the annual report.
 - C. Acceptance of the Traffic Signal Pole Replacement Project at Holly Drive and Eleventh Street - CIP 72077, Completed by Richard A. Heaps Electrical Contractor, Inc., of Sacramento, California, and Authorization for the City Clerk to File the Notice of Completion – Resolution 2011-219 accepted the project.
 - D. Approve a List of City of Tracy Projects for San Joaquin Council of Government's One Voice Trip to Washington D.C., for Congressional Funding Appropriation Requests – Resolution 2011-220 approved the list of projects.
 - E. Approval of a Resolution Authorizing Adoption of a Plan Restatement for the Variable Annuity Life Insurance Company (VALIC) 457 Deferred Compensation Program – Resolution 2011-221 authorized adoption of the plan.
 - F. Authorize Amendment of the City's Classification Plan and Position Control Roster by Approving the Revision of the Records Supervisor Classification in the Police

Department – Resolution 2011-222 authorized amendment of the City's classification plan and position control roster.

- G. Approve Amendment 1 to the Professional Services Agreement with RBF Consulting for the Filios/Dobler Annexation and Development Project, Appropriate \$14,196 from the Reimbursement Agreement Funds and Authorize the Mayor to Execute the Amendment – Resolution 2011-223 approved the Amendment.
2. ITEMS FROM THE AUDIENCE - Dave Helm addressed Council regarding the Brighter Christmas plea. Mr. Helm asked which food items were needed the most by Brighter Christmas. Council Member Abercrombie responded cereal, rice and canned food.

Paul Miles, 1397 Mansfield Street, addressed Council regarding the Council's failure to address his complaints against Dan Sodergren and Leon Churchill. Mr. Miles presented a public records request and indicated he would be filing a complaint with the Superior Court.

DEVIATION

7. PUBLIC HEARING TO CONSIDER AN AMENDMENT TO A PRELIMINARY AND FINAL DEVELOPMENT PLAN TO PERMIT THE DEVELOPMENT OF A SECOND PRELIMINARY AND FINAL DEVELOPMENT PLAN CONSISTING OF A 1,200,420 SQUARE FOOT INDUSTRIAL WAREHOUSE BUILDING ON A 160.34-ACRE SITE, LOCATED WEST OF AND ADJACENT TO 1605 AND 1705 NORTH CHRISMAN ROAD - APPLICANT IS KIER & WRIGHT; OWNER IS CATELLUS CORPORATE CENTER TRACY, LLC- APPLICATION D11-0009 - Victoria Lombardo, Senior Planner, presented the staff report. In 1996, the Council adopted the Northeast Industrial Areas Concept Development Plan (NEI) within which the project area is located. The site is Zoned Planned Unit Development (PUD), and is designated Industrial by the General Plan, and Light Industrial by the Concept Development Plan.

In accordance with Tracy Municipal Code Section 10.08.1830, the Planning Commission and the City Council shall review all Planned Unit Development Preliminary and Final Development Plans.

On February 27, 2008, the Planning Commission met and reviewed an application for three industrial warehouse buildings on this site for a total square footage of 2,812,833 across three buildings, to be constructed in multiple phases. The Council, with a recommendation of the Planning Commission, approved that project on March 18, 2008. The first phases of two of the buildings were constructed in 2008 to house the Crate and Barrel distribution center.

The current proposal is an amendment to the Preliminary and Final Development Plan (PDP/FDP) in order to allow for an alternative site plan and building configuration to be constructed, with different architecture than that originally approved. This would equate to two different Preliminary and Final Development Plans (PDP/FDPs) permitted on the site, allowing the property owner to choose. This provides additional flexibility and the ability to be more nimble and competitive in attracting users with a wider range of building needs.

The project site is located on the west side of Chrisman Road, west of and adjacent to the two buildings located at 1605 and 1705 North Chrisman Road. The site is designated Light Industrial by the Northeast Industrial (NEI) Concept Development Plan. The adjacent parcels to the north and east are also designated Light Industrial by the Concept Development Plan. To the south of the project is land outside of the current City Limits, and is designated Industrial by the General Plan. The properties to the west of the project are within the Industrial Areas Specific Plan, and are mostly developed with manufacturing and warehouse uses.

The proposed project would amend the existing PDP/FDP approval in order to allow for a larger warehouse building at 1,200,420 square feet located next to the two existing warehouses on the site, one of which is complete, and one of which could still be expanded. The original project approval consists of three industrial buildings with office areas and other accessory uses, totaling 2,812,833 square feet. The first phase of Buildings 1 and 2 was constructed in 2008 and contains warehouse and distribution facilities, office area, and a portion for future retail sales for Crate and Barrel. The size of those existing buildings totals 1,225,680 square feet. The second phases of Buildings 1 and 2 have not yet been constructed, nor has Building 3.

With the need for greater flexibility, the property owner has proposed an amendment to the PDP/FDP in order to allow the third building (now called Building 9) to be constructed with a larger footprint than previously proposed, and with a revised site layout. The proposed revision to the PDP/FDP would not replace the 2008 approval, but rather be an alternative Final Development Plan approval for the project site. The applicant may then determine which approved project to construct when they apply for building permits.

The new building proposed has a footprint of 1,200,420 square feet, with 35,640 square feet of office area, and a 238,595 square foot mezzanine, with the remainder for warehouse use. The location of the proposed new building is adjacent to and west of the two existing buildings, with truck docks on the west side, and employee parking surrounding the remainder of the building. The site plan layout also shows a future expansion for the existing Building 7 (Building 2 in the original approval).

The proposed additional PDP/FDP for the project site is well suited for the location, as the site is located within the Light Industrial area of the NEI Concept Development Plan in an area where roadways and infrastructure have been designed for industrial development. The surrounding sites are planned for or have existing similar uses.

The total square footage of the first PDP/FDP approval is 2,812,833, and the total square footage for this alternate PDP/FDP is 2,653,053.

Landscape areas proposed meet the requirements of Tracy Municipal Code Section 10.08.3560, and the requirements of the Northeast Industrial Areas Concept Development Plan.

The site will utilize an existing access point from Chrisman Road and one from Paradise Road. The project proposes 2,579 auto parking spaces to serve the new building, which is greater than the number of parking spaces that would be required per the NEI Concept Development Plan. The site plan provides for adequate circulation movements on the site for employee and customer parking, as well as truck traffic.

The project is consistent with the Environmental Impact Report (EIR) that was prepared for the Northeast Industrial Areas Concept Development Plan and certified in 1996. In accordance with CEQA Guidelines Section 15183, no further environmental assessment is required. An analysis of the project shows that there will be no significant on or off-site impacts as a result of this particular project that were not already discussed in the Northeast Industrial Areas Concept Development Plan EIR. There is also no evidence of any significant impacts to occur off-site as a result of the project, as traffic, air quality, aesthetics, land use and other potential cumulative impacts have already been considered within the original environmental documentation. No new evidence of potentially significant effects has been identified as a result of this project.

The Planning Commission discussed this item on November 16, 2011, and by unanimous vote, recommended that the Council approve the project as proposed.

Staff and the Planning Commission recommended that City Council approve an amendment to the Preliminary and Final Development Plan to permit the development of a second PDP/FDP consisting of a 1,200,420 square foot industrial building on the 160.34-acre site, located west of and adjacent to 1605 and 1705 North Chrisman Road, Application Number D11-0009, subject to the conditions and based on the findings contained in the City Council Resolution dated December 6, 2011.

Mayor Pro Tem Maciel opened the public hearing. As there was no one wishing to address Council on the item, the public hearing was closed.

Council Member Rickman asked what type of jobs this development would bring. Ms. Lombardo indicated the applicant may better be able to answer.

Council Member Rickman indicated he was concerned with head of household jobs. Bill Dean, Assistant DES Director, indicated he believed this addressed Council's concerns regarding economic development and represented a wide range of employment opportunities.

Council Member Elliott stated it appeared that the request was reconfiguring what was already approved in the past to allow the developer to market the property which was a good thing.

It was moved by Council Member Abercrombie and seconded by Council Member Elliott to adopt Resolution 2011-224 approving an amendment to the Preliminary and Final Development Plan to permit the development of a second PDP/FDP consisting of a 1,200,420 square foot industrial warehouse building located on the 160.34-acre site, adjacent to and west of 1605 and 1705 N. Chrisman Road – Assessor's Parcel Numbers 250-020-82, 83, 85 and 87, Application Number D11-0009. Voice vote found Council Members Abercrombie, Elliott, Rickman, and Mayor Pro Tem Maciel in favor; Mayor Ives absent.

3. ACCEPTANCE OF THE CITY OF TRACY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2011 - Zane Johnston,

Finance and Administrative Services Director, presented the staff report. Financial statements of the City for the fiscal year ended June 30, 2011, have been prepared by the Finance and Administrative Services Department and examined by the independent accounting firm of Moss, Levy and Hartzheim. It is the opinion of the auditors that the financial statements present fairly the financial position of the City as of June 30, 2011, and that the statements were prepared in conformity with generally accepted accounting principles. This means the financial statements of the City are accurate and that all monies are accounted for. There are no "hidden" funds and all financial matters have been identified within the financial statements.

Finance staff incorporated the financial statements into a Comprehensive Annual Financial Report (CAFR), to present an easily readable and organized report. A CAFR provides the many users of government financial statements with a wide variety of information needed to help them evaluate the financial condition of the City.

The City has won the Certificate of Achievement for Excellence in Financial Reporting for 23 consecutive years from the Government Finance Officers Association of America, for the preparation of this annual report. This is the first year the City is required to produce its financial statements in conformity with the Governmental Accounting Standards Board (GASB) Statement 54.

This new GASB requirement concerns mainly the designation of fund balance into use categories. In addition, Statement 54 clarifies how rainy-day amounts can be reported by treating stabilization arrangements as a specified purpose. Consequently, amounts constrained to stabilization must be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. As a result the CAFR can no longer list the Reserve for Economic Uncertainty Fund separately.

However, the City is free to maintain this fund separately in subsidiary records. The General Fund balance of \$26,987,114 is actually comprised of \$18,985,100 in the General Fund and \$8,002,014 in the Reserve for Economic Uncertainty Fund. Because of the economic downturn, the originally adopted budget for FY 10-11 anticipated a draw on reserves of \$4.8 million. Due to additional budget and expenditure controls that occurred after July 1, 2010, as well as the receipt of \$900,000 in Measure E revenue (which the budget did not assume), the final actual figures for FY 10-11 indicate a draw on reserves of \$2,548,958. Results like this one are common for the City of Tracy. The City does attempt to capture changes with a newly adopted budget. Instead, the current status is documented in an approved budget and more emphasis is placed on ongoing cost reduction and continuous service improvement.

As noted the CAFR is presented in accordance with GASB standards. GASB statement 34 provides guidance on how financial statements should be presented. Financial information is reported in two categories, Government-wide financial statements and

Business Type of Activities. Within these only the major funds of each are presented. However, the CAFR also contains a full reporting of all funds including minor funds.

Government-wide Major Funds

- General Fund
- Community Development Agency Housing
- North East Industrial Fund
- Community Development Agency Debt Fund

Of these only the General Fund is discretionary – meaning the City Council has authority to allocate these funds to purposes desired by policy. As noted earlier, the fund balance of the General Fund as of June 30, 2011 is \$26,987,114 including \$8,002,014 in what the City had previously separated into the Reserve for Economic Uncertainty Fund and \$18,985,100 in the General Fund.

The North East Industrial Fund is comprised of monies collected for the specific purpose of completing a variety of infrastructure items to serve development in this area. These funds are only available for this purpose and cannot be used by the City for other purposes. The same is true for both funds of the Community Development Agency. The housing fund must be used for low and moderate income housing projects or assistance and the debt fund can only be used for debt service and other purposes of the Community Development Agency.

Major Proprietary Funds

- Water Utility Fund
- Municipal Airport Fund
- Sewer Utility Fund
- Solid Waste Fund
- Municipal Transit Fund
- Drainage Fund

All of the above funds are restricted in their purposes either through state or federal law. The City utility funds, for example, can only be used for the expenses (both direct and indirect) of operating these utilities. Transit and some airport funds are also restricted by federal law. As such, major proprietary funds of the City are non-discretionary.

Of significance the Solid Waste Fund had an operating loss for FY 10-11 of \$1.15 million. As a result, cash in this fund has been reduced to just \$667,000.

BUSINESS IMPROVEMENT DISTRICT FUND - Established to accumulate revenues from business licenses for subsequent transfer to the General Fund in order to provide donations to the Main Street Tracy Program.

ASSET FORFEITURE FUND - Established to account for the revenues that occur from asset seizures. They are specifically restricted for the purchase of law enforcement equipment and supplies.

PROPOSITION 1B FUND - Established to account for the revenues from the State of California generated by the issuance of general obligation bonds. The revenues are to be used for highway safety, traffic reduction, and air quality.

TRANSPORTATION DEVELOPMENT FUND - Established to account for the City's share of the quarter cent statewide transportation sales tax devoted to street maintenance purposes. The tax first goes to the Transportation Development Fund.

PROPOSITION K TRANSPORTATION FUND - Established to account for the City's share of the half cent transportation sales tax of San Joaquin County. It is used for street maintenance and repairs.

STATE GAS TAX STREET FUND - Established to account for the City's share of State-Imposed motor vehicle gas taxes, which are legally restricted to acquisition, construction, improvement, and maintenance of the City's streets.

TEA GRANT FUND - Established to account for the revenues from transportation efficiency act grant projects.

COMMUNITY DEVELOPMENT BLOCK GRANT FUND - Established to account for federal grant monies received from the U.S. Department of Housing and Urban Development (HUD) for Community Development Block Grants.

LANDSCAPING DISTRICT FUND - Established to account for transactions of the City's landscaping benefit assessment districts.

RESIDENTIAL AND COMMERCIAL REHABILITATION LOAN FUND - Used to account for Department of Housing and Urban Development Fund (HUD) trust monies which are used for low interest loans to qualified borrowers for inner city rehabilitation projects in accordance with HUD agreements.

SOUTH COUNTY FIRE AUTHORITY FUND - This fund was established to account for revenues and liabilities of the Authority, which is a Joint Powers Agreement between the City and the Tracy Rural Fire District. The Authority is responsible for fire prevention and suppression in parts of the City and in surrounding unincorporated areas.

TRAFFIC CONGESTION RELIEF FUND - Established to account for revenues received from the State of California under AB2928. AB2928 is to fund local streets and roads maintenance, rehabilitation, and reconstruction projects according to the State's Traffic Congestion Relief Plan.

COMMUNITY ACCESS CTV FUND - Used to account for fees collected from City cable TV customers to cover expenses for videotaping and broadcasting the City Council meetings.

FEDERAL ARRA FUND - Established to account for Federal Recovery Act funds for construction to local streets and roads.

GROW TRACY FUND - To establish a fund to assist local business owners through the issuance of small business loans.

2007 LEASE REVENUE BONDS FUND - Established to accumulate funds for the payment of debt service on the lease revenue bonds issued to 1) refund the prior Certificates of Participation, and 2) finance the acquisition and construction of a fire station.

PARKS COP FUND - Established to accumulate funds for payment of certificates of participating (COP) principal and interest. This COP provided the resources to purchase the Tracy Community Park as well as other public facilities sites.

2008 LEASE REVENUE BONDS FUND - Established to accumulate funds for the payment of debt service on the 2008 lease revenue bonds that were originally issued to reflect prior certifications of participation and finance construction of certain City facilities.

REGIONAL MALL COP DEBT SERVICE FUND - Established to accumulate funds for the payment of debt service on the COPs issued for public infrastructure in the West Valley Mall area. Funds are transferred from the general fund into this fund for this debt service.

RESIDENTIAL SPECIFIC PLAN PROJECTS FUND - Established to account for capital projects financed by fees levied on developers in the City's 1987 Residential Specific Plan area.

NORTH EAST INDUSTRIAL PLAN AREA # 2 FUND - Established to account for capital projects to separate development in the North East Industrial area of the City.

INFILL PROJECTS FUND - Established to account for capital projects financed through capital development fees levied upon developers in the City's infill areas.

I-205 AREA IMPROVEMENTS FUND - Established to account for monies received from the sale of bonds for the purpose of construction of various community facilities within a specific area in the City.

COMMUNITY DEVELOPMENT AGENCY CONSTRUCTION FUND - Established to account for construction projects related to the redevelopment project area. These projects are financed by tax increment monies from the City and the County of San Joaquin.

URBAN MANAGEMENT PLAN FACILITIES FUND - Established to account for expenditures for the planning, design, and construction of capital facilities required for new development beyond the current infill, Residential Specific Plan (RSP), and I-205 development.

CAPITAL PROJECTS DEPOSIT FUND - Established to account for monies received from developers, contractors, and other entities for the purpose of reimbursing the City for expenditures incurred in studies, research, etc., regarding their proposed development.

SOUTH MACARTHUR PLAN AREA FUND - Established to account for projects to support development in a specific area of the City financed by assessments and/or development impact fees.

INDUSTRIAL SPECIFIC PLAN SOUTH FUND - Established to account for projects to support development in a specific area of the City financed by assessments and/or development impact fees.

PRESIDIO PLAN AREA FUND - Established to account for projects to support development in a specific area of the City financed by assessments and/or development impact fees.

REDEVELOPMENT OBLIGATIONS FUND - This fund is used to account for CDA grant proceeds used by the City to complete redevelopment projects.

TRACY GATEWAY AREA FUND - Established to account for projects to support development in a specific area of the City financed by assessments and/or development impact fees.

PLAN C FUND - Plan C is a development area of the City which was approved in 1998. Capital development fees levied on developers in this area and the related expenditures are accounted for in this fund

GENERAL PROJECTS FUND - Established to account for capital projects financial through transfers from the general fund.

INTERNAL SERVICE FUNDS - Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds introduced by GASB Statement No. 34 does not extend to internal service funds because they do not do business with outside parties. GASB Statement No. 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Assets. However, internal service funds are still presented separately in the Fund Financial Statements. Of significance, the Self-Insurance Fund had an operating loss for the year of \$1.2 million even after transferring in \$600,000 from available balances in the other internal service funds.

CENTRAL GARAGE FUND - Established to account for the maintenance of the City's fleet of vehicles which services the transportation needs of City departments and divisions.

CENTRAL SERVICES FUND - Established to account for monies received from various funds for postage, telephone, and copying charges.

EQUIPMENT ACQUISITION FUND - Established to account for the replacement of equipment utilized by City departments.

BUILDING MAINTENANCE FUND - Established to account for monies received from various funds for the repair and maintenance of all City owned and operated buildings.

INSURANCE FUND - Established to finance and account for the City's risk management and insurance programs.

AGENCY FUNDS - GASB Statement No. 34 requires that Agency Funds, the only fiduciary funds the City has, be presented separately from the Government-wide and Fund Financial Statements.

Agency Funds account for assets held by the City as an agent for individuals, government entities and non-public organizations. These funds include the following:

87-3 ASSESSMENT FUND

Established to account for the assets held on behalf of the 87-3 Assessment District property owners until they are remitted to the bond trustee.

84-1 ASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 84-1 Assessment District property owners until they are remitted to the bond trustee.

89-1 COMMUNITY FACILITIES DISTRICT FUND

Established to account for the assets held on behalf of the 89-1 Community Facilities District property owners until they are remitted to the bond trustee.

94-1 ASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 94-1 Community Facilities District property owners until they are remitted to the bond trustee.

93-1 COMMUNITY FACILITIES DISTRICT FUND

Established to account for the assets held on behalf of the 93-1 Community Facilities District property owners until they are remitted to the bond trustee.

98-1 COMMUNITY FACILITIES DISTRICT FUND

Established to account for the assets held on behalf of the 98-1 Community Facilities District property owners until they are remitted to the bond trustee.

98-3 COMMUNITY FACILITIES DISTRICT FUND

Established to account for the assets held on behalf of the 98-3 Community Facilities District Property owners until they are remitted to the bond trustee.

98-4 ASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 98-4 Community Facilities District property owners until they are remitted to the bond trustee.

99-1 COMMUNITY FACILITIES DISTRICT FUND

Established to account for the assets held on behalf of the 99-1 Community Facilities District property owners until they are remitted to the bond trustee.

99-2 COMMUNITY FACILITIES DISTRICT FUND

Established to account for the assets held on behalf of the 99-2 Community Facilities District property owners until they are remitted to the bond trustee.

2000-01 ASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 2000-01 Assessment District property owners until they are remitted to the bond trustee.

2000-02 ASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 2000-02 Assessment District property owners until they are remitted to the bond trustee.

2006-01 NE INDUSTRIAL # 2 FUND

Established to account for the assets held on behalf of the 2006-01 Assessment District property owners until they are remitted to the bond trustee.

1999 I205 RESIDENTIAL REASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 93-2, 95-1, 96-1, 97-1, and 97-2 Assessment District property owners until they are remitted to the bond trustee.

2000-03 ASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 2000-03 Assessment District property owners until they are remitted to the bond trustee.

2003-01 ASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 2003-01 Assessment District property owners until they are remitted to the bond trustee.

CULTURAL ARTS FUND

Established to account for deposits received for cultural arts projects within the City.

REGIONAL TRANSPORTATION IMPACT FUND

Established to account for transportation impact fees collected by the City and which are to be used for transportation mitigation purposes.

MEDICAL LEAVE BANK FUND

Established to account for amounts deposited from employees converted sick leave.

POSTEMPLOYMENT BENEFIT TRUST

Established to account for contributions on behalf of employees for postemployment benefits.

Discretionary vs. Non-Discretionary

Most of the above described funds are restricted in their use. There are a few funds however, which although currently designated for a purpose by the City, are in fact discretionary funds of the City. These are as follows:

- Residential Specific Plan Projects Fund
- General Projects Fund
- All Internal Service Funds

As of June 30, 2011 the City had \$5.5 million in the Residential Specific Plan Projects Fund. This fund originated as part of a developer impact fee program to pay for infrastructure items required by the City's Residential Specific Plan. Typically such funds are restricted for these matters. However, due to an agreement with developers of the RSP related to reimbursement, the City was provided the balance of such funds.

Obsessively, the remaining money was to go to the construction of unfinished infrastructure items required by the RSP- most notably the MacArthur Road rerouting. However, the City is under no obligation to spend the money on a specific project. This fund has been categorized as capital, but the City Council could spend such funds as desired. In most recent years, this fund has been the source used for economic development purposes such as providing for the General Growth/Macy's improvements as well as the gift card program for purchasing a new car at the Tracy Auto Mall during the height of the recession.

General Projects Fund

Most of the money in the General Projects Fund was derived through the refinancing of bond issues. As such, money generated through the bond refinancing is restricted to use for construction of specified projects. It is estimated that of these funds, approximately \$900,000 is truly discretionary to the City.

Internal Service Funds

The bulk of these funds are associated with the monies the City is putting aside for equipment replacement. For example, a fire engine may last 15 to 20 years. During that time the City sets aside a small amount each year toward the replacement of that engine. Then when the engine has reached the end of its useful life, the City has the funds on hand to replace the engine. The balance of this fund as of June 30, 2011 was \$7.5 million. Contributions to this fund were slowed by 50 percent for two consecutive years in order to preserve funds for City operations.

Funds within the Self-Insurance fund are to pay for claims which may have been incurred but not yet recorded.

Appropriate Financial Policy

Although the balance of the RSP fund and approximately \$900,000 of the General Projects Fund can be considered discretionary funds of the City their use to date has been considered toward one-time only types of uses such as capital projects and economic incentives. These funds do not have an ongoing source of replenishment. As such, once they are used, there will be no more. Hence using such funds for ongoing purposes such as to pay for increased salaries or benefits (ongoing) of City personnel would result in the City having the ongoing responsibility for the pay or benefits without having the ongoing source of revenue.

The amount of money in the various internal service funds is examined each year as part of the budget setting process. If funds have accumulated in the self-insurance fund for example, the rate charged through internal service charges is reduced. The goal is to keep these funds in relatively same financial position over time so as to avoid dramatic swings of increased or decreased rates.

Unfortunately, the financial situation in some cities has been so dire they have eliminated their equipment replacement funds. While this may have provided a short term source of funds to pay bills, it is done so at expense of long-term financial stability. If such a city has not dealt with the underlying cause of its budgetary problems, such action will only further result in fiscal chaos. In succeeding years such a city would no longer have the equipment replacement funds to tap into but yet the city still has its underlying budget issues. The end result is a city employing personnel to provide services and those personnel not having the appropriate equipment to do their job.

Service levels in such a city would erode even further than if the city had dealt with the underlying budgetary issues.

Third Party Validation of City's Financial Management Practices

There is strong evidence by other organizations the City's financial management has been conservative, prudent, and accurate for over 20 years. In addition to the Certificate of Achievement for Excellence in Financial Reporting designation from the GFOA, the City has also received the GFOA Budget Presentation award for the last 23 years. This distinction denotes Tracy has presented its budget accurately, with clarity, and insight into governmental performance. Only five California cities have won more GFOA awards than Tracy. Standard and Poors (S&P) recently completed a review of the City's financial condition in light of the City's current A+ bond rating. S&P affirmed the City's A+ rating noting the City's good financial management practices and moderate debt levels. S&P noted a stable outlook for the City based upon Measure E for the next few years. However, S&P notes that if the City becomes even more heavily reliant on reserves to balance its budget, the rating could be lowered. A lower bond rating inevitably leads to higher interest rates for City issued debt, which leads to higher operating costs. A strong bond rating also conveys a reliable, stable environment to potential investors. This achievement is noteworthy given rating downgrades experienced by the federal government and other governmental institutions.

Staff recommended that City Council accept the June 30, 2011 Comprehensive Annual Financial Report as audited by Moss, Levy and Hartzheim.

Mayor Pro Tem Maciel invited members of the public to address Council on the item.

Paul Miles, 1397 Mansfield Street, asked for clarification regarding use taxes and asked if staff anticipated anything in the City's budget for such a tax. Mr. Johnston stated no. Mr. Miles asked how the City would survive another 4 years if the recession continued. Mr. Johnston stated staff was unsure.

Dave Helm stated some of the abbreviations in the report were hard to follow and asked what the City was currently holding in reserves. Mr. Johnston stated the General Fund had approximately \$26.9 million or approximately 55% in reserves.

Mr. Helm asked for clarification regarding the economic uncertainty. Mr. Johnston stated the City has not had any surplus funds to set aside for the last 4 years.

Mr. Helm asked for clarification regarding charging the departments for insurance. Mr. Johnston stated expenses for insurance come out of each department's budget.

Council Member Rickman asked for clarification of the \$1.2 million loss in insurance. Mr. Johnston stated it was due to increases in worker compensation rates and property.

Council Member Rickman asked if anything could be done to stop the increases. Mr. Johnston stated cities traditionally have safety programs in place, but much of the cost is driven by state laws and coverage requirements.

Council Member Rickman asked where the revenues come from. Mr. Johnston stated the City receives a refund from RMA and if funds are not available, they do a retrospective refund.

Allan Borwick, Budget Officer noted that the City did increase worker compensation charges in the new fiscal year and increased the general insurance liability.

Council Member Elliott asked if the City was on track to balance the budget without Measure E. Mr. Johnston stated FY 11-12 anticipates a full year of Measure E revenue which equates to approximately \$5 million per year, which still represents a deficit of approximately \$1 million per year.

Mr. Churchill stated the City does have a plan to live without Measure E and outlined the slide titled "actions taken/planned".

Council Member Elliott stated it appeared the City has taken many of the measures already and asked what else needed to be done to reach this plan. Mr. Churchill outlined some of those actions including contracting out, labor negotiations and economic development.

Council Member Rickman asked how the City was tapping into economic development with the community's strong median income. Mr. Churchill stated the City has a retail strategy that is dependent upon disposable income, coupled with the natural population growth which currently is not good.

Council Member Rickman referred to the FY 11/12 budget that includes a \$2 million deficit and asked if any items could be tackled to reduce that deficit. Mr. Churchill stated the City needs to stay on plan.

Council Member Rickman asked how the gold bond rating looked. Mr. Churchill stated being able to say to a potential business that the City is stable is a powerful statement.

Council Member Rickman referred to the Transit Fund which shows the City is operating at a loss and asked about revenues from the State and County. Mr. Churchill stated the County funds may be pass-throughs which may have originated from Federal funding which may be reduced. Mr. Johnston stated there were some accounting period issues as well.

Mayor Pro Tem Maciel thanked everyone for being so attentive during this presentation.

It was moved by Council Member Abercrombie and seconded by Council Member Elliott to adopt Resolution 2011-225 accepting the Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2011. Voice vote found Council Member Abercrombie, Elliott, Rickman, and Mayor Pro Tem Maciel in favor; Mayor Ives absent.

Mayor Pro Tem Maciel called for a recess at 8:55 p.m. The meeting was reconvened at 9:00 p.m.

4. PUBLIC HEARING TO CONSIDER A PROPOSED INCREASE TO SOLID WASTE RATES AND UPON COMPLETION OF THE PUBLIC HEARING ADOPT PROPOSED RATES - Kevin Tobeck, Public Works Director, presented the staff report. The City maintains a Franchise Agreement with Tracy Delta Disposal Service Inc. (Tracy Disposal) for the collection of solid waste within the City. The City also maintains a Service Agreement with Tracy Material Recovery and Solid Waste Transfer Inc. (Tracy MRF) for the recycling, composting, processing, and disposal of solid waste. The City bills Tracy Disposal and Tracy MRF for all services within the City and maintains a Solid Waste Fund that receives all revenues from collection rates. The funds received from rate collection must be sufficient to cover:

- Tracy Disposal's Service Fees
- Tracy MRF Service Fees
- Disposal Expense (tipping fees), which is paid directly by the City
- Franchise Fees
- Bond covenant requirements, and
- Other expenses and reserves as are determined to be necessary by the City

In order to strategize a solution to the forecasted depletion of the Solid Waste Fund, R3 Consulting Group (R3) was retained by the City to perform a fiscal analysis and provide a Rate Review Report of the City's Solid Waste Fund. The Professional Service Agreement scope of services required R3 to review the City's Solid Waste Fund operating budgets and provide a financial model used to adjust solid waste rates. An additional goal of the rate setting process was to establish fair and equitable distribution of costs among ratepayers. The following factors were analyzed by R3 and City staff to determine that a rate increase was necessary:

Bond Requirements: Pursuant to the covenants of the bond requirements, a rate increase is warranted. The Bond Consent and Agreement states that the City shall cause the Waste System Debt Service Coverage Ratio to be equal to at least 1.3 to 1 for each calendar quarter. In the event that the Waste System Debt Service Coverage Ratio falls below 1.3 to 1 for any calendar quarter, the City shall increase the Waste System Revenues until the Waste System Debt Service Coverage Ratio is equal to at least 1.3 to 1 by the next calendar quarter end. The City's Finance Department indicates that the current Waste System Debt Service Coverage Ratio is less than 1.3 to 1, thus justifying an increase in rates to raise revenues.

Operational Costs: Tracy Disposal continues to be the City's exclusive garbage collection and disposal franchise hauler. Tracy MRF continues to receive and process all municipal waste from the City and plays an integral role in meeting diversion requirements mandated by AB939. Since the City's last rate increase in 2007, Tracy Disposal and Tracy MRF have taken the following steps to reduce operating costs:

Tracy Disposal

- Three roll-off trucks were taken out of service and three driver positions were eliminated.

- One residential truck was taken out of service and one driver position was eliminated.
- Routes were resized to obtain optimum efficiencies.
- Capital improvements were delayed except as required by the California Air Resources Board.
- A GPS tracking system was installed in all collection vehicles in order to perform route efficiency audits and driver performance reviews.

Tracy MRF

- One transfer truck was taken out of service and one transfer driver position was eliminated. Five sorter positions were eliminated.
- Overtime was reduced by staggering shifts to cover Monday – Saturday operating hours.
- The commodities stream is evaluated throughout the year, and when the market is down, products are blended and sorter positions are eliminated to balance the operating costs with the revenue from the sale of commodities.
- Capital improvements were delayed except as required by the California Air Resources Board.

Even with these cost reducing steps, Tracy Disposal and Tracy MRF continue to experience rising costs due to increased regulatory compliance to meet California Air Resources Board emission requirements for solid waste collection vehicles and processing equipment, fuel, and health insurance. Fuel costs year to date for 2011 are \$3.90 per gallon compared to \$2.70 in January, 2010. Health benefits continue to climb from 15% to 18% annually. Landfill disposal rates from 2007 to January 2012 will have increased 22.5%, which is a \$6.30 per ton increase, totaling an estimated \$341,000 additional cost for 2012. Tracy Disposal and Tracy MRF have requested a 9.5% and 23% increase respectively for their portion of the fees pertaining to collection, recycling, composting, processing, disposal costs, and regulatory compliance.

Recyclable Material Revenues: Significant drops in the recyclable markets, although having staged a recent recovery, have also reduced revenues. The revenue received from recyclable material is used to help offset rates. The existing MRF permit limits the material and programs to what the City currently offers to residents and businesses for waste reduction and diversion programs. Each time a new material, program or technology is implemented an amendment to the current permit is required. The MRF's current permit is in the review process, as well as an application for a new permit. The new permit will allow more sustainable programs to be implemented, such as Construction and Demolition (C&D) and sorting and food waste programs.

City Franchise Fee: The existing franchise agreement provides for a franchise fee of 10%. This fee is a pass-through cost directly supported by solid waste rates. The fee amount should be included in rates in addition to all other fees and expenses of the contract provider. During a review of the City budget by Management Partners, it was noted that the City had been collecting 3% of the allowable 10% franchise fee. Consequently, the City began collecting the 10% franchise fee and the solid waste fund balance was sufficient for a period of time to cover this amount until the next rate setting process, which would need to take the entire franchise fee of 10% into account when establishing new rates. The collection of the 10% franchise fee resulted in an additional

cost to the Solid Waste Fund in Fiscal Year 2010/2011 of \$782,600 and a forecasted cost of approximately \$785,000 for Fiscal Year 2011/2012.

Additional Factors: The Solid Waste Fund has also been significantly affected by the housing market (foreclosures). Homes that are vacant do not pay for solid waste and recycling collection. This is lost revenue to the Solid Waste Fund, which, unlike water and sewer services, is not collected on foreclosed homes. There are approximately 800 vacant/foreclosed homes in Tracy without garbage service. Total solid waste Revenue for FY 2007/2008 was \$17,600,000 compared to FY 2010/2011 at \$16,000,000. The Solid Waste Fund is also being required per AB32 to implement a Mandatory Commercial Recycling Program enforceable by July 1, 2012. New rates for commercial recycling were included in Exhibit "B" to the staff report. Other factors considered were the contracted service costs and comparable rates for similar services in neighboring jurisdictions.

Using the Solid Waste Fund Rate Model provided by R3 Consulting Group, several rate increase options were reviewed. At the City Council meeting held on November 15, 2011, staff was directed to proceed with a Public Hearing for the proposed rate increase of 24% effective January 1, 2012, to alleviate the revenue shortfall to the Solid Waste Enterprise Fund, provide a positive fund balance through Fiscal Year 2014/2015, and to meet debt service coverage ratios. Exhibit "B" provides a schedule of rate adjustments by individual service levels.

The rate increase is proposed for Fiscal Year 2011/2012 beginning on January 1, 2012. The City will continue to review operational balances to determine when additional increases will be needed in the future.

The standard residential garbage and recycling fee will increase from \$29.45 a month to \$36.50 a month effective January 1, 2012. All other rate increases for residential and commercial collection services are shown in Exhibit "B". The rate adjustment will increase revenue to the Solid Waste Enterprise Fund by approximately \$1,500,000 for Fiscal Year 2011/2012.

Staff recommended that Council open the public hearing to consider a proposed increase to solid waste rates and upon close of the hearing, that the City Council adopt and approve the revised solid waste rates.

Council Member Abercrombie asked if there was a term to the franchise agreement. Mr. Tobeck stated the agreement was in effect through 2028.

Council Member Abercrombie asked how much of an impact, if any, was made due to people committing thefts of recycling. Mr. Tobeck stated staff was not sure, but was aware that it was occurring.

Council Member Abercrombie asked if there were incentives or programs for individuals who produce less trash. Mr. Tobeck stated it was a possibility, but if costs were reduced for some, the City would have to increase the rates of others.

Council Member Abercrombie asked representatives from Tracy Delta and Material Recovery how often they negotiated cost saving measures with employees. Ana Lovecchio, CPA for Tracy Delta and Material Recovery stated annually.

Mayor Pro Tem Maciel asked if that translated in to the normal pay increase. Ms. Lovecchio stated salaries were increased by 1.5% or 2.4% depending on which year, which was below the industry standards.

Council Member Abercrombie asked staff to explain the financial picture if rates were not raised. Mr. Johnston stated that as of June 30, 2011 the fund had approximately \$666,000 in cash which had probably already been depleted. Mr. Johnston added there was an underlying operating problem that needed to be dealt with.

Council Member Elliott stated it sounded as though the waste management companies had taken reasonable steps to run things efficiently. Mr. Johnston indicated the bond covenants were important as well, and would be paid off in a couple of years.

Council Member Elliott asked if the one time increase would save money vs. spreading it out over time. Mr. Johnston stated that was correct.

Council Member Rickman asked about the possibility of changing garbage pick-up to every other week. Mr. Tobeck stated City Code required garbage to be picked up every week. Council Member Rickman asked if there would be a benefit to reducing the number of pick-ups for recycling and yard waste.

Council Member Rickman asked how Tracy's rates compared to other cities. Mr. Tobeck stated east of the Altamont the City was probably a little higher, while west of the Altamont rates are higher.

Council Member Rickman asked where Tracy's garbage goes. Mr. Tobeck stated to a land fill approximately 40 miles east of here. Council Member Rickman asked if there were areas that were cheaper. Mr. Tobeck stated the City has an agreement with San Joaquin County but that it can be reviewed.

Council Member Rickman asked if the number of vacant/foreclosed homes represented a significant loss. Mr. Johnston stated the loss is estimated at \$300,000-\$400,000 per year.

Council Member Rickman asked if the vacancy rate decreased, could it represent a lowering of costs or a rebate. Mr. Johnston stated surplus funds could be generated and lowering rates could be considered.

Council Member Rickman asked for clarification regarding expenses and reserves that are determined to be necessary. Mr. Tobeck stated some of the expenses could include the management analyst position that oversees the City's recycling programs and reserve funds for rainy days.

Council Member Rickman stated his concern about raising fees was that it seemed that the working class keeps getting piled on; limiting their ability to spend money in the City and asked what effect it had on the City's revenues. Mr. Johnston stated it was negligible to the City because of the percentage of sales tax received.

Council Member Rickman asked if staff saw a rate increase in the near future. Mr. Tobeck stated this increase should take the City through FY 14/15 based on the forecast. Mr. Johnston added that the increase prior to 2007 took place in 1995.

Mayor Pro Tem Maciel asked if Tracy Delta Disposal and Tracy Material Recovery were corporate cousins. Ms. Lovecchio stated one was a C Corp and one was a S Corp, with almost the same ownership.

Mayor Pro Tem Maciel referred to the cost cutting provisions and the elimination of one truck and one position, and asked what percentage it represented. Ms. Lovecchio stated approximately 20%.

Mayor Pro Tem Maciel referred to the proposed capital improvements and asked if they were still pending. Ms. Lovecchio stated both companies have an equipment reserve and what the companies have done was delay, patch or repair. Ms. Lovecchio stated the California Air Resources Board required trucks being replaced.

Mayor Pro Tem Maciel discussed options regarding smaller toters and the impact of vacant houses.

Council Member Abercrombie asked Mr. Tobeck to explain the index that was discussed. Mr. Tobeck stated it was the construction cost index adjustment and would result in a \$40 increase to Mountain House.

Mayor Pro Tem Maciel invited members of the public to address Council on the item.

Alma Morley, 4262 Middlefield Drive, asked how much was spent on the consultant study. Mr. Tobeck stated approximately \$30,000. Ms. Morley indicated residents have received increases from several departments, including Measure E and garbage rates.

Don Sader, 1915 Birchwood, stated any potential for a refund was not going to happen. Mr. Sader added that as dump sites move further away, it will cost more, and that there needs to be some sort of incentive to decrease the amount of garbage collected. Mr. Sader asked if the City could set up its own dump site, possibly in a quarry. Mr. Tobeck stated it was extremely difficult to find a land fill in California because of environmental regulations. Mr. Sader stated a 24% increase was tough to swallow.

Dave Helm stated he did not understand what the waste system debt service coverage meant. Ms. Lovecchio stated it was customary that when bonds are utilized to acquire funds, that a debt service coverage is established. Ms. Lovecchio explained debt service and bonds.

Mr. Helm stated if the franchise fee rates went up 24%, what would be the impact for this fiscal year. Mr. Tobeck stated between January and June represented approximately \$1.5 million.

Mr. Helm stated increases sound bad to businesses looking to locate to Tracy and encouraged Council to find ways to be proactive in not incurring these types of debts.

As there was no one further wishing to address Council, the public hearing was closed.

Council Member Rickman stated he saw a lot of assumptions being made and a lot of "what ifs", and indicated this was a horrible time to put this out to the public.

Council Member Elliott stated nobody likes the idea of raising taxes or fees, but the City is faced with a situation where it needs to balance budgets.

Council Member Abercrombie stated Council was trying to get to a balanced budget and had to determine the best way to achieve that.

Mayor Pro Tem Maciel stated the timing and the percentage is bad, and that he expected a commitment from these companies to operate as efficiently as they can. Mayor Pro Tem Maciel stated he did not want to see another large increase and asked staff to monitor it closely and consider more frequent smaller increases.

It was moved by Council Member Abercrombie and seconded by Council Member Elliott to adopt Resolution 2011-226 approving the proposed increase to solid waste rates. Roll call found Council Members Abercrombie, Elliott, and Mayor Pro Tem Maciel in favor; Council Member Rickman opposed; Mayor Ives absent. Motion carried 3:1:1.

5. AUTHORIZE STAFF TO NEGOTIATE AN AGREEMENT WITH SAN JOAQUIN COUNTY AND, IF NECESSARY, WITH THE CITY OF STOCKTON, TO ASSUME RESPONSIBILITY FOR PROVISION OF LIBRARY SERVICES WITHIN THE CITY OF TRACY FOR TRACY AND COUNTY RESIDENTS - Rod Buchanan, Parks and Community Services Director, presented the staff report. Mr. Buchanan stated that the City of Stockton operates 13 public libraries in the County free library system through a contract with the County. The Lodi Public Library is operated independently by the City of Lodi and is not part of the County Library system. Under this County- Stockton Agreement, the Tracy Public Library has been operated and staffed by the City of Stockton.

The County's funding base for library services is comprised primarily of property taxes. The decline in the assessed valuation of properties has significantly impacted funding of the Library System. As a result, Tracy residents have experienced reduced library hours and services levels over the past two years (some of those reductions are as a result of the City of Stockton's work furlough days).

Staff believes that the City would be better served if it was responsible for operating the Tracy Library. The City would be able to operate the Library in a similar manner and with expanded services from those that are now provided. Additionally, the library could be operated more efficiently, with longer operating hours and greater responsiveness. The County free library within the City would be equally available to all who reside within the County, and all County residents would be afforded the same library privileges provided to the City's residents.

In 2010, County staff was asked to explore options to operate the County Library branches. County staff prepared a request for proposals (RFP), which was to be released on March 12, 2010. Prior to its issuance, the City of Stockton requested a delay and requested the County include the City of Stockton branches in the RFP process. On May 7, 2010, the joint City of Stockton-County RFP was released. The only response received was from Library Systems and Services (LSSI).

LSSI began in 1981 and has operated public libraries in the United States since 1997. They operate over 41 community libraries in California and 70 libraries for 16 different agencies in five states which include Kansas, Oregon, Tennessee, Texas and California. The proposal received from LSSI indicated the firm would provide a number of service enhancements in relation to the current system including:

- Increase in books and materials
- Hours of operation not affected by furloughs
- Enhance financial and circulation reporting
- More policy control by County
- Performance benchmarking
- Lower cost operations
- Library jobs could be expected to increase

Ultimately the County Board of Supervisors voted to continue to contract with the City of Stockton. However, LSSI's proposal brought to light the possibility of operating the Tracy Public Library at a reduced cost with service level enhancements.

Because the County operates the free library system, before the City could operate the library system in Tracy, the County would have to agree. As such, staff requests authorization to negotiate with the County and, if necessary, with the City of Stockton, to remove Tracy from the current contract arrangement and allow the City of Tracy to contract with San Joaquin County for the provision of library services. The purpose of this contract would be to allow the City to operate the Tracy library directly (rather than having its library operated by the City of Stockton), and to receive funding directly from the County from the County's library operating budget. Staff's intention is to operate the Tracy library more efficiently, with longer operating hours, and with greater responsiveness to City residents. This Agreement would not constitute a withdrawal from the County free library system under Education Code section 19104 or 19104.5.

Because the County already contracts its library services, a County/City agreement would be structured in a similar fashion as the County/City of Stockton agreement. The effect would be two County Library agreements instead of one.

Under the terms of the County/Stockton Agreement for Library Services, the agreement automatically renews on July 1 of each year for a one-year term. Either party has the right to terminate the agreement upon six months prior written notice. If the new County Tracy Agreement is approved, the County would notify the City of Stockton to replace or modify the County/Stockton agreement to remove Tracy services from this agreement.

The County could also request that the City of Stockton work cooperatively with the City to achieve the transition to a City-operated library. An initial meeting with the City of Stockton in November 2011 yielded a willingness to be open to further discussions. Staff believes it would be beneficial to start to operate the library sometime in 2012 and would

work with City of Stockton's staff to ensure a seamless operation and services to City and County residents during the transitional period.

The County free library system receives revenue from a separate 1% property tax for libraries, enacted before Proposition 13 in 1978. This property tax revenue generated by City of Tracy taxpayers and surrounding unincorporated area taxpayers was approximately \$1.2 million in fiscal year 2010-2011.

The City will request that the County pay the City its proportional share of the library operating budget, at least equal to the amount of property taxes collected from the City and surrounding unincorporated area for library purposes. Under a proposed agreement the City would also request that it obtain its proportionate share of any federal or state funding provided for library services, including funding provided under the CLSA (California Library Services Act) for reciprocal activities, delivery systems, shared resources, district loan reimbursement, etc.

Staff estimates that approximately \$1.2 million will be generated annually for the Tracy Library. This amount will fluctuate with property tax collected. San Joaquin County would be asked to forward one twelfth of the proportionate share of the Tracy library operating budget when the City begins operating the library.

Over the last four years property taxes have decreased 32% as a result of lower property values in Tracy. Although the past two years have not been as dramatic as the 19% decline in a previous year, the City has yet to get back to a zero change. Zero growth instead of negative could signal a stabilization of property tax. There is still some potential that any revenue source derived from property value (such as these funds for library operations) could decline further. Conversely, an increase in property value or future annexation would result in an increase in funding for library operations.

Historically, the City has provided General Fund contributions to maintain the library building, to provide additional open hours, and to purchase additional books and materials. Under this proposal, the City would receive approximately \$1.2 million annually to be placed in a dedicated library fund to be used only for library purposes.

For Fiscal Year 2011/2012, the General Fund is budgeted to provide \$193,000 for maintaining the library building, providing an additional 7 hours per week over the 35 hours provided by the City of Stockton and purchasing additional books and materials over those provided by the City of Stockton. This amount would be absorbed in the new library budget resulting in a savings to the City of \$193,000. Additionally, approximately \$100,000 of the incoming library tax funds would also be reallocated to offset current City library overhead costs and related staff expenditures not currently captured in the Fiscal Year 2011/2012 library budget. The total General Fund savings would then be approximately \$290,000 annually.

Staff expects that additional funds would also be available over a longer period to begin building a reserve in the Library budget which would provide for needed building upgrades and equipment and enhanced building maintenance.

There is no impact to the General Fund at this time. If an agreement is approved with the County authorizing the City to operate Tracy library services then General Fund savings of approximately \$290,000 annually would be realized.

Staff recommended that the Council authorize staff to negotiate an agreement with San Joaquin County, and, if necessary, with the City of Stockton, to assume responsibility for provision of library services within the City of Tracy for Tracy and County residents.

Council Member Rickman asked for clarification regarding saving considerations and start-up costs and how much that would cost the City. Mr. Buchanan stated approximately \$100,000 in capital costs up front, with a \$200,000 surplus in year one.

Council Member Rickman asked about City staff time. Mr. Buchanan stated a $\frac{3}{4}$ time person to oversee the contract is included in the estimates.

Council Member Elliott asked if that $\frac{3}{4}$ person would be a new person or existing staff. Mr. Buchanan stated a new person is included in the estimate.

Council Member Elliott asked about possible layoffs of current library staff and if there were any provisions to ensure that consideration is given to maintaining existing staff. Mr. Churchill stated the current employees are City of Stockton employees, but if that issue is brought to our attention it could be taken into consideration.

Mayor Pro Tem Maciel asked if library funding was based on property tax. Mr. Buchanan stated yes, on City residents and surrounding county.

Mayor Pro Tem Maciel invited members of the public to address Council on the item.

David Aldis, 2961 Ponte Mira Way, board member of the Tracy Friends of the Library, addressed Council in support of the concept of the City of Tracy managing the library. Mr. Aldis indicated he does not support the library being run by a for profit agency. Mr. Aldis asked if the City has submitted a request for proposals and if the City received a proposal from a contractor to run the library.

Mr. Churchill stated the City has received a firm bid from LSSI that is valid today and for some time in the future. Mr. Churchill indicated there was no invitation for bids, that it was a negotiated contract. Mr. Sodergren stated for professional services it is not required that the City go out for bid.

Mr. Aldis asked what represents the \$100,000 in costs that the City incurs on behalf of the library. Mr. Buchanan stated Stockton's overhead charges are between \$200,000 and \$290,000 and includes their staff and benefit. Mr. Buchanan indicated the City provides staff time, budget preparation and an opportunity to defer some General Fund costs to that budget in the amount of \$100,000.

Mr. Aldis asked if staff expected the county to allocate revenue from outside of Tracy. Mr. Churchill stated there are people outside the city limits that patronize the Tracy library. Mr. Churchill explained that the City expends \$193,000 out of the General Fund to supplement services provided by the City of Stockton.

Mr. Aldis asked if Tracy would be compatible with the Stockton system. Mr. Buchanan stated it was part of the negotiations, and it is the City's intention to remain part of their system.

Tiffanie Alcalá, 825 Henderson Way, asked if the accepted bid is a public record and available to the public. Mr. Buchanan stated staff was still in negotiations and was using it to prepare budget numbers. Mr. Buchanan explained that the City intends to include the Friends of the Library in their discussions.

Ms. Alcalá provided a list of assets provided to the community, voiced concerns about the proposal, and encouraged Council to keep individuals informed.

Ann Mooney, 86 W. Eighth Street, stated she did not believe the pursuit of the bottom line should be applied to the public library and should be held in the hands of the public entirely. Ms. Mooney stated it appeared to be a rush at privatizing and encouraged Council to wait to allow more citizens to review the proposed budget and the bid.

Ann Turner, a City of Stockton employee and a Tracy library worker, stated she lives in Tracy. Her three co-workers live in Stockton and spend their money in Tracy.

Kathleen Buffleben, 4124 Payton Lane, encouraged Council to look deeper into LSSI managing the library. Ms. Buffleben stated she had several including books that will be chosen, what city employee would have oversight, and recruiting volunteers for paid jobs.

Council Member Abercrombie asked what kind of outreach the City would do. Mr. Buchanan stated the City always tries to practice an inclusionary approach. Staff would do outreach and the Tracy Friends of the Library will have more to say in what happens at the library. However, the first step would be to authorize the City to negotiate.

Council Member Abercrombie clarified that this was just an opportunity to discuss possibilities. Mr. Buchanan stated yes.

Council Member Elliott asked about the City of Lodi and what their experience has been. Mr. Buchanan stated Lodi was a completely different structure than what we are proposing.

Council Member Elliott stated 41 other community libraries in California are operated by LSSI and asked if the City has any feedback on satisfaction levels. Mr. Buchanan stated staff did look at County references and talked to a couple different agencies and were extremely pleased with the results.

Mayor Pro Tem Maciel asked if the City went with a contractor, how it would ensure programs and services. Mr. Buchanan stated staff would make sure we were inclusive with the Friends of the Library.

Mayor Pro Tem Maciel indicated he appreciated those who stayed and provided input, and suggested they need to be involved if the project goes forward.

It was moved by Council Member Abercrombie and seconded by Council Member Rickman to authorize staff to negotiate an agreement with San Joaquin County, and, if necessary, with the City of Stockton, to assume responsibility for provision of library services within the City of Tracy. Voice vote found Council Member Abercrombie, Elliott, Rickman and Mayor Pro Tem Maciel in favor; Mayor Ives absent. Motion carried 4:0:1.

6. ACCEPT A REPORT REGARDING THE FY 11/12 GENERAL FUND CAPITAL IMPROVEMENT PROJECT (CIP) PRIORITIZATION PROCESS AND TIMELINE AND DISCUSS, REVIEW, AND APPROVE THE PROPOSED CRITERIA AND SCORING - This item was continued to January 3, 2012.

8. PUBLIC HEARING TO AUTHORIZE, BY IMPLEMENTING RESOLUTION, THE ADOPTION OF THE UPDATED ROADWAY DEVELOPMENT IMPACT FEES FOR THE NORTH EAST INDUSTRIAL AREA PHASE 1, NORTH EAST INDUSTRIAL AREA PHASE 2, PLAN C DEVELOPMENT AREA AND SOUTH MACARTHUR PLANNING AREA DEVELOPMENTS RESULTING IN A NET DECREASE IN ROADWAY FEES
Kul Sharma, City Engineer, presented the staff report. The City regularly updates development impact fees for various development areas in accordance with actual costs incurred or the latest construction cost estimates for public infrastructure. These fees include Roadways, Storm Drainage, Water, Wastewater, Parks and Public Buildings, and are based upon the total actual costs incurred on completed projects and updated cost estimates of incomplete projects distributed among the undeveloped properties.

Generally, development impact fees are updated on an annual basis. However, due to a slow economy, lack of development activities and fluctuations in construction costs, the fees have not been updated for the last three years in certain development areas. While construction costs for more specialized infrastructure in Water, Wastewater, Storm Drainage, and Public Building areas have not seen much reduction in construction costs, Roadway construction costs have varied and now have decreased by an average of 15%. Updating the Roadway Development Impact fees in development areas that have not completed major roadway projects will assist in the City's business attraction efforts.

Since Roadway Development Impact Fees not only include the cost of construction of roads but also traffic signal projects and other soft costs associated with design, construction inspection and project management the estimated overall decrease in project costs and development impact fees is estimated at 12%. After these fees have been adopted, the Finance and Implementation Plans for the different development areas will be updated to incorporate these reductions and will be reconciled with cash flow projections.

The reduction in Roadway Development Impact fees is proposed in the following development areas.

1. North East Industrial Area Phase 1
2. North East Industrial Area Phase 2
3. Place C Development Area
4. Gateway Phase 1
5. South MacArthur Planning Area

Further analysis is needed to review development impact fees for the Industrial Specific Plan (ISP) South that was last updated in April 2009. Major roadway projects were completed in early 2000 by a developer who is being reimbursed from the fees collected from new developments. As a result, the decrease in roadway development impact fees for ISP South will be marginal. Regarding the I-205 Specific Plan, a majority of the undeveloped properties have already entered into financing plans and either paid their development impact fees or their fees are fixed and will be paid at the time of development of the properties. For these reasons, roadway fees in these areas are not recommended for a reduction at this time.

There is no impact to the General Fund as a result of updating the Roadway Development Impact Fees for the development areas listed above since the total cost of required roadway infrastructure projects is divided among the undeveloped properties. The City will continue to review developments in the construction industry and will update the fees as necessary to ensure new developments pay the cost of the required roadway infrastructure.

Staff recommended that Council authorize the adoption of the updated Roadway Development Impact Fees for the North East Industrial Area Phase 1, North East Industrial Area Phase 2, Plan C Development Area and South MacArthur Planning Area developments resulting in a net decrease in roadway fees.

Council Member Rickman asked if the fees would be proportional to the type of business going in the area. Mr. Malik stated they would be proportional to the type of land use.

Council Member Rickman stated he was concerned that a small business with less than an acre and only one toilet would pay almost the same as a company with 25 toilets. Council Member Rickman asked if there was a way to have fees proportional use. Mr. Malik stated the company would pay fees according to the use. Council Member Rickman asked why an applicant would have to pay the impact up front. Mr. Malik explained that a property owner wants to guarantee that if a tenant comes in now and in the future a more intense use is required, that the fees paid will cover the more intense use.

Council Member Rickman asked what the downside would be to changing the fees from zoning to a proportional type use. Mr. Malik stated it would affect the ability to provide sewer treatment or water supply, which the City has to do in large phases.

Council Member Rickman stated he believed this type of fee determination was a detriment to small businesses.

Council Member Rickman stated he wanted additional information on this subject.

Mayor Pro Tem Maciel opened the public hearing. As there was no one wishing to address Council on the item, the public hearing was closed.

Council Member Elliott stated it was good thing when the City is able to reduce fees. It's one component of making the City more business friendly and supporting economic development efforts by making it easier for developers to start their projects.

It was moved by Council Member Abercrombie and seconded by Council Member Elliott to adopt Resolution 2011-227 authorizing the adoption of the updated Roadway Development Impact Fees for the North East Industrial Area Phase 1, North East Industrial Area Phase 2, Plan C Development Area and South MacArthur Planning Area developments resulting in a net decrease in roadway fees. Voice vote found Council Members Abercrombie, Elliott, Rickman, and Mayor Pro Tem Maciel in favor; Mayor Ives absent. Motion carried 4:0:1.

9. ESTABLISH A PROCESS TO RECOGNIZE THE CONTRIBUTIONS OF MEMBERS OF THE COMMUNITY FOR THEIR MILITARY SERVICE WITH A CERTIFICATE OF COMMENDATION UPON THEIR HONORABLE SEPARATION FROM THE ARMED FORCES - Item continued to January 17, 2012.
10. APPOINT TWO APPLICANTS TO THE PARKS AND COMMUNITY SERVICES COMMISSION - There are two vacancies on the Parks and Community Services Commission due to mid-term resignations. A recruitment was conducted and eight applications were received. On November 22, 2011, a Council subcommittee consisting of Council Member Abercrombie and Council Member Rickman interviewed the applicants. In accordance with Resolution 2004-152, the Council subcommittee recommended two applicants for appointment. The appointees will serve for the remainder of the retiring commissioners' terms.

It was moved by Council Member Abercrombie and seconded by Council Member Rickman to approve the subcommittee's recommendation and appoint Tish Foley and Alexander Holquin to the Parks and Community Services Commission to serve terms commencing on December 7, 2011, and expiring on January 1, 2014, and to establish an eligibility list. Voice vote found Council Members Abercrombie, Elliott, Rickman, and Mayor Pro Tem Maciel in favor; Mayor Ives absent. Motion carried 4:0:1.

11. ITEMS FROM THE AUDIENCE – None.

12. COUNCIL ITEMS

- A. Consider an Item for Discussion on a Future City Council Agenda Regarding Endorsement of the California Cancer Research Act - Council Member Abercrombie stated he had provided Council with a handout regarding the California Cancer Research Act and recommended Council endorsement. Tracy as a City supports Cancer Research, including Relay for Life. Endorsing the Cancer Research Act would provide an opportunity to raise money for the project. It was moved by Council Member Abercrombie and seconded by Council Member Rickman to submit a letter in support of the California Cancer

Research Act. Voice vote found Council Members Abercrombie, Elliott, Rickman, and Mayor Pro Tem Maciel in favor; Mayor Ives absent. Motion carried 4:0:1.

- B. Appointment of City Council Subcommittee to Interview Applicants for Three Vacancies on the Parks and Community Services Commission - There are three vacancies on the Parks and Community Services Commission due to term expirations. The vacancies are being advertised and the three week recruitment period will close on December 20, 2011. In accordance with Resolution 2004-152, a two-member subcommittee needs to be appointed to interview the applicants and make a recommendation to the full Council.

Council Member Abercrombie and Council Member Rickman volunteered to serve on the subcommittee.

- C. Discuss Whether to Cancel the Regular City Council Meeting Scheduled for Tuesday, December 20, 2011, and Provide Direction to Staff - Maria Hurtado, Assistant City Manager, reported that no agenda items were scheduled for the December 20, 2011 City Council meeting and suggested Council consider cancelling the meeting.

Following a brief discussion it was moved by Council Member Abercrombie and seconded by Council Member Elliott to cancel the regular City Council meeting scheduled for Tuesday, December 20, 2011, due to lack of agenda items. Voice vote found Council Members Abercrombie, Elliott, Rickman, and Mayor Pro Tem Maciel in favor; Mayor Ives absent. Motion carried 4:0:1.

Mayor Pro Tem Maciel requested an item for discussion regarding clearer guidelines on how issues are brought to Council.

Council Member Abercrombie stated Mayor Ives was home resting after his surgery and wished everyone a Merry Christmas.

Council Member Rickman wished everyone a Merry Christmas and happy and safe New Year.

13. ADJOURNMENT - It was moved by Council Member Abercrombie and seconded by Council Member Rickman to adjourn. Voice vote found Council Member Abercrombie, Elliott, Rickman, and Mayor Pro Tem Maciel in favor; Mayor Ives absent. Motion carried 4:0:1. Time 11:35 p.m.

The above agenda was posted at the Tracy City Hall on December 1, 2011. The above are summary minutes. A tape recording is available at the office of the City Clerk.

Mayor

ATTEST:

City Clerk