

City of Stockton

*City Council/Successor Agency of the Redevelopment Agency/Public Financing Authority
Concurrent Agenda*



Meeting Agenda - Final

Tuesday, July 9, 2013

Closed Session 4:00 | Special Council Meeting 5:30

Council Chamber, City Hall, 425 N. El Dorado Street, Stockton CA

City Council

*Anthony Silva, Mayor/Chair
Paul Canepa, Vice Mayor/Vice Chair (District 3)
Elbert H. Holman Jr. (District 1)
Katherine M. Miller (District 2)
Moses Zapien (District 4)
Dyane Burgos (District 5)
Michael D. Tubbs (District 6)*

1. CLOSED SESSION CALL TO ORDER/ROLL CALL**2. ADDITIONS TO CLOSED SESSION AGENDA****3. ANNOUNCEMENT OF CLOSED SESSION****3.1 13-0587 CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION**

Number of Cases: Five

Name of Case: Wells Fargo Bank v. City of Stockton (San Joaquin County Superior Court Case No. 39-2012-00277662)

Name of Case: Wells Fargo Bank, National Association, as Indenture Trustee v. City of Stockton (San Joaquin County Superior Court Case No. 39-2012-00280741)

Name of Case: In re City of Stockton, California - Debtor (United States Bankruptcy Court, Eastern District of California Case No. 2012-32118)

Name of Case: City of Stockton v. Marina Towers LLC, et al. (San Joaquin County Superior Court Case No. CV022054)

Name of Case: Richard Price, et al. v. City of Stockton, Redevelopment Agency, et al. (United States District Court, Eastern District Case No. CIV.S-02-0065 LKK JFM)

This Closed Session is authorized pursuant to Section 54956.9(a) of the Government Code.

Department: City Attorney

3.2 13-0588 CONFERENCE WITH LABOR NEGOTIATOR

Agency Designated Representative: Bob Deis

Employee Organizations: Unrepresented Units, Stockton City Employees' Association, Operating Engineer's Local 3, Mid-Management/Supervisory Level Unit, Unrepresented Management/Confidential, Law Department, Stockton Police Management Association, Stockton Firefighters Local 456 International Association of Firefighters, Stockton Fire Management, Stockton Police Officers' Association (SPOA)

This Closed Session is authorized pursuant to Section 54957.6(a) of the Government Code.

Department: City Attorney

3.4 13-0589 CONFERENCE WITH LEGAL COUNSEL - POTENTIAL LITIGATION

Number of Cases: One

Based on existing facts and circumstances, there is significant exposure to litigation pursuant to Government Code Section 54956.9(b).

Department: City Attorney

3.3 13-0590 CONFERENCE WITH LEGAL COUNSEL - INITIATION OF LITIGATION

Number of Cases: Two

Based on existing facts and circumstances, there is significant exposure to litigation pursuant to Government Code Section 54956.9(c).

Department: City Attorney

4. PUBLIC COMMENT***5. RECESS TO CLOSED SESSION****6. REGULAR SESSION CALL TO ORDER/ROLL CALL****7. INVOCATION/PLEDGE TO FLAG****8. REPORT OF ACTION TAKEN IN CLOSED SESSION****9. ADDITIONS TO REGULAR SESSION AGENDA******10. PROCLAMATIONS, COMMENDATIONS, OR INVITATIONS****11. CITIZENS' COMMENTS, ANNOUNCEMENTS, OR INVITATIONS*****12. CONSENT AGENDA****13. ADMINISTRATIVE MATTERS****14. UNFINISHED BUSINESS****15. NEW BUSINESS****15.1 13-0573 MANAGEMENT PARTNERS STATUS REPORT ON COST SAVINGS AND EFFICIENCIES PROJECT****RECOMMENDATION**

It is recommended that by motion action the City Council accept the attached Cost Savings and Efficiencies Status Report and authorize the City Manager to pursue the following recommendations included in the report:

1. Authorize staff to pursue the actions necessary to expand the City's parking enforcement program to include 4 additional FTE positions (three parking enforcement officers and one supervisor) in the Police Department; and
2. Authorize staff to initiate discussions with San Joaquin fire agencies, the existing Joint Radio Users Group (JRUG), San Joaquin County and other local regional fire dispatching agencies to finalize the feasibility, costs, parameters and efficiencies of participation in an existing or creation of a new entity to provide fire dispatch services for the City.

Department: City Manager

16. HEARINGS***

16.1 13-0582 PROPOSED TRANSACTION AND USE TAX FOR NOVEMBER 5, 2013 BALLOT

RECOMMENDATION

1. Hold the scheduled noticed public hearing on the proposed $\frac{3}{4}$ cent sales tax measure recommended for placement before the voters on November 5, 2013;
2. Adopt a Resolution calling for the election; and
3. Adopt an Ordinance establishing the $\frac{3}{4}$ cent sales tax contingent upon voter consideration and approval at the November 5, 2013 election.

Department: City Manager

17. COUNCIL COMMENTS

18. ADJOURNMENT

INFORMATIONAL ITEMS

NEW BUSINESS



AGENDA ITEM 15.01



Legislation Text

File #: 13-0573, **Version:** 1

MANAGEMENT PARTNERS STATUS REPORT ON COST SAVINGS AND EFFICIENCIES PROJECT

RECOMMENDATION

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1. Authorize staff to pursue the actions necessary to expand the City's parking enforcement program to include 4 additional FTE positions (three parking enforcement officers and one supervisor) in the Police Department; and
2. Authorize staff to initiate discussions with San Joaquin fire agencies, the existing Joint Radio Users Group (JRUG), San Joaquin County and other local regional fire dispatching agencies to finalize the feasibility, costs, parameters and efficiencies of participation in an existing or creation of a new entity to provide fire dispatch services for the City.

Summary

On July 10, 2012 the City Council approved a motion authorizing a contract with Management Partners to provide project management and technical assistance for the Chapter 9 bankruptcy process. Included within this contract was a unique scope of work to complete a review of potential areas for more cost savings and efficiencies. This analysis is a critical component of the bankruptcy exit plan, given the general fund deficit that will remain even after a successful plan of adjustment is adopted. The cost savings and efficiencies that will result from this analysis were assumed in our 10 and 20 year financial planning models for the general fund.

Over the past year Management Partners has completed an in-depth analysis of city operations and identified a number of opportunities for direct cost savings as well as efficiencies and future potential savings that will increase the capacity of the organization. They recommend improvements to: 1) our fleet management operations and utilization of vehicles; 2) parking meter revenue and enforcement programs; and (3) our fire dispatch operations. The combined annual savings and additional revenues to the General Fund for just these key recommendations total \$1.89 million dollars, \$1.5 million in direct cost savings \$366,000 in additional revenues. An additional \$225,000 of one-time revenue is also anticipated for the General Fund. These are conservative estimates that may increase after implementation. A brief summary of this analysis is outlined in the staff report that follows, with the detailed information included in the attached report from Management Partners (Attachment A).

DISCUSSION

Background

The financial restructuring plan that was developed by the City for the AB 506 process and carried forward into the bankruptcy process recognized that even if the savings in the plan were realized, that it alone was not sufficient to close the City's ongoing budget gap. Significant budget shortfalls in the millions of dollars remain in the near term and grow in future years. The financial restructuring plan recognized the City needed to make internal changes in our way of conducting business to reduce costs even more toward a fully functioning municipality with healthy and sustainable finances.

Staff recommended that Council leverage the experience and knowledge of Management Partners to pursue internal cost savings or revenue increases as part of their bankruptcy project management contract. The scope of this component of the contract included a review of all aspects of City operations for direct cost savings opportunities, streamlining and efficiency improvements and development of organizational capacity.

Present Situation

Management Partners has a wealth of experience from assessing and assisting municipalities throughout California and the nation. Over the last eight months, Management Partners culled through more than a sixty potential projects to identify those areas with the greatest potential impact. Management Partners has identified a number of areas in which the City can achieve direct ongoing and one-time cost savings as well as implement improvements and streamline processes that will free up staff resources and result increased organizational capacity.

Direct Cost Savings

The attached report from Management Partners outlines 4 key projects:

1. Improvements to the operation and utilization of the City's vehicles;
2. An audit of City classifications relative to their designated exemption status under the Fair Labor Standards Act (FLSA) for purposes of overtime eligibility;
3. Enhanced parking meter revenue and enforcement; and
4. Potential Regional Fire Dispatch.

It is anticipated that the FLSA project will produce direct cost savings, but it is too early to provide an estimate. Implementation of the other 3 projects is estimated to result in direct cost savings to the General Fund of \$1.5 million, additional ongoing General Fund revenue of \$366,000 and one-time revenue of \$225,000.

The improvements to fleet management are primarily operational efficiencies and implementation of the Management Partners recommendations are already underway internally. Throughout this implementation, staff will return to Council for authorization of key milestones such as issuance of Requests for Proposals or recommendations that are subject to meet and confer obligations. The City has also retained a consultant to perform an audit of City classifications relative to their designated exemption status under FLSA and recommendations made in the audit will be considered

and negotiated with appropriate employee organizations representing potentially impacted employees.

Parking Enforcement

As noted in the attached report from Management Partners, parking meter enforcement has been dramatically reduced in recent years and a resulting decline has occurred in revenues from parking meters and particularly from enforcement citations. By creating a new job classification and authorizing 4 FTE positions to carry out this function, the City has the opportunity to return to previous levels of enforcement, enhance revenues, and free up Community Service Officer capacity to focus on other community policing priorities.

Fire Dispatch Consolidation

Finally, there is a unique opportunity to explore a regional fire dispatch operation that would create significant cost savings through economies of scale. Stockton is uniquely positioned to explore dispatch services through the Joint Radio User Group (JRUG) for San Joaquin County. Of the four major projects noted above, the regional fire dispatch is the only project that would be supported by Management Partners under this contract moving forward. Attachment A outlines several different alternatives for moving forward with a regional fire dispatch operation. This opportunity cannot be ignored due to potential savings of \$1.0 - \$1.5 million per year. While this option has tremendous opportunity, I am looking to your Council for approval in moving forward and authorizing staff to initiate discussion with JRUG and the agencies represented by this group. This will cause some consternation with current employees working for Fire dispatch. We will work with employee representatives on this issue. Once we understand the preferred option and the potential impacts to our employees, staff will return for further direction. Any proposals would need to be negotiated with affected employee organizations prior to any final decisions.

In the various program efficiencies that are being explored by the city there may be recommendations that are subject to meet and confer obligations with the appropriate employee organization. Before any such recommendation is finalized and considered by the City Council, the city will meet and confer with the effected employee organization as appropriate.

In addition to the four projects mentioned above, Attachment A identifies 12 other projects for which Management Partners completed an initial review. Some of these projects were initiated through this effort while others had been initiated by City staff and were underway internally. Management Partners has provided recommendations relating to these initiatives and all projects are now being pursued internally by City staff. The direct cost savings from each of these has not been quantified at this time, but each initiative should result in reducing City costs directly. It is worth noting that these do not include the 38 Strategic Initiatives that are also underway, some of which will result in cost savings.

Productivity and Efficiency Improvements

The Management Partners report identifies 9 initiatives which surfaced as priority opportunities for operational improvements. Management Partners recognized two of these projects as high priorities:

1. Payroll Process Study/New Financial System; and

2. Consolidation of Parking Functions to Achieve Efficiencies.

First, Management Partners found a strong consensus that the City's payroll process was inefficient and in need of replacements. The process is a primarily manual process that is labor intensive. However, the recommendation recognizes that in order to create a more efficient process, it is necessary to purchase and implement a new financial software system. This would require a significant financial and staff resource investment. As a result, I directed Administrative Services to develop a work plan for pursuing a new financial software system and will provide Council with an update on the initial phases of this plan in the coming year. Second, the Management Partners report highlights the discontinuity in managing the distinct parking functions across three different departments. Management Partners recommends consolidation of these functions following the implementation and stabilization of the new parking enforcement staff discussed above.

Because City staff have been focused on emergent priorities in recent years, there has not been sufficient time or resources to pursue efficiency and productivity improvements. Through the assistance of Management Partners on this project, the City now has a priority listing for service and the system improvements that will be critical in developing a City service model that can be sustainable over the long term. Recommendations have been provided for all 9 projects and City staff have been identified as leads for moving these initiatives forward. We believe that each of these will result in significant efficiency savings for the organization when implemented. Savings from these projects are likely to result in a reallocation of existing staff or process time to other, more strategic work which is not currently being performed as a result of the severe cutbacks over the last several years. It is worth noting that these do not include the 38 Strategic Initiatives that are also underway, the majority of which will result in organizational improvements.

Organizational Development

The Management Partners report does not focus on organizational development projects that have been assessed as a part of this analysis, because they are initiatives that are primarily internally focused and have been led by City staff throughout the process. There are a number of projects which range from leadership training to updating internal policies and procedures that are not discussed in their report. These are projects led by City staff and when implemented would improve the overall effectiveness of the City Stockton through increased capacity of city employees and the overall organization.

FINANCIAL SUMMARY

The initial budget for this portion of the Management Partners contract totaled \$200,000, \$156,254 of which has been expended to date. The remaining funds for this portion of the contract are being held as a contingency to support the Regional Fire Dispatch project subject to your Council's direction.

The combined savings and additional revenues that are estimated to be produced by implementation of 3 of the 4 major direct costs savings projects on an annual ongoing basis ranges between \$2.28 million and \$2.85 million, \$1.89 million of which benefits the General Fund. An additional \$231,050 of one-time additional revenue is also anticipated, \$224,750 benefitting the General Fund. These figures do depend upon the successful implementation of these projects and are only estimates. However, they are conservative estimates and represent the costs savings for only 3 of the major projects outlined above. Additional savings are anticipated from the other projects even though those

exact savings have not been quantified. The first year alone of annual ongoing savings as a result of this project represents more than 10 times the cost of this project. Not to mention the return on investment in future savings over the next 20-40 years as a result of these initiatives.

It is also important to note that as implementation of these projects moves forward that staff will bring to your Council additional agenda items to approve the necessary financial actions such as authorization of positions, appropriation to departmental budgets for the authorized positions and appropriation of additional revenues as they are realized.

Attachment A - Management Partners Report



To: Bob Deis, City Manager
City of Stockton

From: Andy Belknap, Regional Vice President
Lynn Dantzker, Senior Manager

Subject: Cost Savings and Efficiencies Status Report

Date: June 28, 2013

Executive Summary

Management Partners was retained in FY 2011-12 to assist with the project management of the City's pre-bankruptcy mediation proceedings. A follow up contract in FY 2012-13 was executed to assist with the project management of the chapter 9 bankruptcy proceedings. As part of this contract, we were also tasked with reviewing the City's operations for direct cost savings opportunities and for streamlining and efficiency improvements which would result in savings or a reallocation of resources down the road when implemented. Over the last eight months, we have analyzed an array of City operations, identified opportunities and made recommendations to the City that would result in the following, currently quantifiable direct cost savings shown in Table 1.

Table 1. Direct Cost Savings and Additional Revenue Opportunities

	Annual Ongoing Cost Savings		Annual Ongoing Additional Revenue		One-Time Additional Revenue	
	General Fund	Non-General Fund	General Fund	Non-General Fund	General Fund	Non-General Fund
Total Direct Cost Savings and Additional Revenue	\$1,527,357	\$269,159	\$366,239	\$122,221-\$567,034	\$224,750	\$6,300

This report also identifies a range of areas where the City should achieve direct cost savings over the next two to three years as well as a number of efficiency objectives which we believe should be a priority for the organization. Most of these initiatives are now being lead by City staff as the City begins to position itself to become a self-sustaining operation once bankruptcy proceedings have concluded.

This report makes two specific recommendations to achieve two of the direct cost savings initiatives, both of which require policy direction to move forward.

1. Improve parking meter and citation revenue by changing the classification used for enforcement and increasing the staffing allocated by 4 full time equivalent positions (FTEs), over the current level of 0.6 FTE, in the Police Department to expand parking enforcement in the city.
2. Authorize the initiation of discussions with San Joaquin fire agencies, the existing JPA (Joint Radio Users Group – JRUG), San Joaquin County and other local regional fire dispatching agencies to determine the feasibility, costs, parameters and efficiencies of participation in an existing or new entity to provide fire dispatch services to the City.

Each of these cost saving initiatives is described more in-depth in this report.

Management Partners will continue to work with the City on the focus areas and efficiency initiatives described in this report for the next several months as our contract scope permits. City staff, though, is well underway with many of the objectives identified here; however, resources and a lean staff will continue to be a challenge.

Background

Management Partners began an assessment of cost savings and efficiency improvements in the fall of 2012 by first interviewing all the department heads and key consultants assisting the City at the time with financial management and budgeting. The interviews generated over 60 ideas, some of which were already underway internally, others were transitioned to City staff early in the process and Management Partners conducted additional analysis for the remaining projects as outlined in the report to follow. These projects generally fell into the following three categories:

1. **Direct Cost Savings** – Changes which if implemented could result in direct cost savings either annually or on a one time basis.
2. **Productivity and Efficiency Improvements** – Changes which if implemented would increase the overall productivity and efficiency of the organization. Savings from such measures would generally result in a reallocation of existing staff or process time to other, more strategic work which is not currently being performed as a result of the severe cutbacks over the last several years.
3. **Organizational Development** – Changes which if implemented would improve the overall effectiveness of the Stockton executive and mid-management team through training on organizational values, culture and accountability.

In addition to this streamlining project conducted by Management Partners, the City developed a set of Strategic Initiatives in FY 2011-12 in support of the City Council goals regarding fiscal sustainability, increased public safety and expanding the City's economic base. Many of the Strategic Initiatives either overlapped with the cost savings-efficiencies initiative led by



Management Partners or were complementary. As a result, a number of the ideas on the initial list of streamlining ideas were dropped if they were underway internally or on a separate track.

Of the initial listing, and as a result of the scope of the project, Management Partners focused on several major initiatives in the Direct Cost Savings and Productivity and Efficiency Improvement categories, while documenting and monitoring others being led internally. Organizational Development initiatives were and continue to be led by the City and are not discussed in this memo. The entire matrix and listing was reviewed on a regular basis by an executive team composed of the City Manager, the two Deputy City Managers and the Assistant to the City Manager.

Category 1: Direct Cost Savings

Management Partners reviewed the entire list of ideas for generating direct cost savings or additional revenue identified through interviews. We conducted high level reviews and analyses in some areas and more in-depth analyses in others. The following two tables contain summaries of several of the ideas which are moving forward.

Table 2 contains a summary of four major focus areas. These four areas have immediate potential for substantial cost reduction or increased revenue. The four areas are discussed in more detail in the following sections.

Table 2. *Estimated Impact on Major Focus Areas*

Major Focus Area	Annual Ongoing Cost Savings		Annual Ongoing Additional Revenue		One-Time Additional Revenue		Status
	General Fund	Non-General Fund	General Fund	Non-General Fund	General Fund	Non-General Fund	
1. Fleet Management Management and Operations Savings	\$311,646	\$175,300	N/A	N/A	N/A	N/A	Implementation plan underway.
Fleet Utilization and Cost Avoidance	\$162,711	\$93,859	N/A	N/A	\$224,750	\$6,300	
2. FLSA Position Designation Review of designation of Exempt/Non-Exempt positions within the City for purposes of overtime eligibility.	Pending						Evaluation underway.



Major Focus Area	Annual Ongoing Cost Savings		Annual Ongoing Additional Revenue		One-Time Additional Revenue		Status
	General Fund	Non-General Fund	General Fund	Non-General Fund	General Fund	Non-General Fund	
3. Parking Meter Revenue Increase parking meter enforcement to FY 2008-09 staffing levels with lower cost employees.	N/A	N/A	\$366,239 ¹	\$122,221-\$567,034 ²	N/A	N/A	Implementation plan developed. Recruitment to begin following position authorization.
4. Regional Fire Dispatch Initiate discussions with regional fire dispatch agencies to determine costs and efficiencies of possible participation in an existing or new entity to provide fire dispatch services for the City.	\$1,053,000	N/A	N/A	N/A	N/A	N/A	Discussions and evaluation to begin following authorization.
Total	\$1,527,357	\$269,159	\$366,239	\$122,221-\$567,034	\$224,750	\$6,300	

¹ Estimated net revenue impact over FY 2011-12 citation revenue. Citation revenue accrues to the General Fund.

² Estimated net revenue impact over FY 2011-12 meter revenue. Meter revenue accrues to the Central Parking District.

Table 3 describes those areas which either Management Partners did an initial review or initiatives were already underway by City staff. The direct cost savings from each of these is not able to be assessed at this time, but each initiative should result in reducing City costs directly.

Table 3. Other Direct Cost Savings Ideas Analyzed and/or Underway Internally¹

Area or Topic	Status / Objective
1. Cell Phone Use Policy	Peer agency and city cell phone policies have been reviewed. List of employees with cells phones or phone allowances to determine cell phone plan, need and compliance with city policy underway.
2. City Auditor Function	Function contracted and priority audits (risk assessment and internal control) underway.
3. Community Services Contracts	Recreation Division developing program and contract cost information, including assessment of General Fund contribution by program. Division also working on aggregating cost reduction and revenue enhancement opportunities.



Area or Topic	Status / Objective
4. Indirect Cost Allocation Plan	Plans under development in accordance with City policy and OMB A-87.
5. Master Fees and Charges Resolution	Update citywide fee schedule to ensure cost recovery where possible. (Pending).
6. Parking Facilities (Operations and Maintenance)	City staff analyzing options to migrate to automatic pay stations in surface municipal lots to reduce costs and streamline enforcement efforts. Management Partners also analyzed installation of smart meter heads (able to use credit cards and cash) on existing parking meters. Insufficient information to determine cost/benefit at this time. Consolidation of all parking enforcement, operations and maintenance functions in Public Works to reduce costs and improve business model also recommended.
7. Parks/Landscape Maintenance	Rebidding contract in support of price stability over life of contract.
8. Standby Pay	Review of positions receiving standby pay conducted; confirmation of listing underway.
9. Street Light Conversion and Maintenance	Developing incremental strategy for converting street lights to LED and possibly contract maintenance. (Savings will accrue to gas tax funds).
10. Tax Revenue and Auditing	Transient Occupancy Tax (TOT) and Business License audit contracts bid; under review for award.
11. Uncollected revenues	Report prepared and plan implemented for sending uncollected revenues to collections as well as targeted collection for high value receivables. Internal staff being trained.
12. Vehicle Use Policy	Vehicle Use policies have been reviewed internally and against peer agencies. Applicable Administrative Regulation to be revised and reviewed against list of positions currently allowed to take vehicles home.

¹ Does not include City Strategic Initiatives

Analysis of the Four Major Focus Areas – Direct Cost Savings

1. Fleet Management

Management Partners reviewed Stockton’s Fleet Management operation and its utilization of vehicles and equipment. We completed the assessment through two interrelated reviews. The Fleet Management Assessment examined the section’s structure, service delivery, business practices, staffing and operations to identify opportunities to enhance efficiency and effectiveness. The Fleet Utilization Study identified underutilized vehicles and equipment and offered alternative means of transportation and recommendations for developing a city-wide fleet usage policy. A summary of the recommendations related to Fleet Management is included with this report. More details are found in the Fleet Management Assessment and supporting documentation that are included as Exhibit A to this report.



The City of Stockton maintains a fleet of 895 vehicles and equipment with an annual operating cost (excluding fuel and vehicle replacements) in FY 2012-13 of about \$4.8 million (Table 4). In addition to annual operating costs, the City's investment in its fleet is probably in excess of \$36 million. Fleet management is a critically important business for the city, both operationally and financially.

The review identified a number of fleet and equipment management practices that, if implemented, could improve the functionality of the City's maintenance efforts. Many of the recommendations reflect a basic transition of the operation of this function from its historical, informal roots to a more formal structure, which incorporates current best practices. The operational recommendations addressed the following major objectives:

1. A consistent and comparable fleet and equipment maintenance data system to support a modern fleet operation.
2. Effective operational structure and staffing to support the fleet.
3. An understanding and transparency by the Fleet Management Section managers or the department of its costs relative to the marketplace.
4. A financial and management information system capable of effectively managing costs or encouraging efficiencies.
5. A comprehensive fleet transportation policy that applies to officials and employees when conducting official business.

Table 4 provides a summary allocation of projected fleet management savings, estimated at \$486,946.

Table 4. Projected Savings from Changes to Fleet Management and Operations

Cost Category	Fleet Management Annual Operating Costs ¹		Cost Savings		
	Current Fleet	Recommended Fleet	General Fund Only ²	Non-General Fund Departments	Total Cost Savings
Staffing	\$2,393,710	\$2,365,679	\$(17,940)	\$(10,091)	\$(28,031)
Fleet Support –Purchasing, PW, Other City Departments	\$240,513	\$134,561	\$(67,810)	\$(38,142)	\$(105,952)
Service & Supplies	\$2,200,958	\$1,847,994	\$(225,896)	\$(127,067)	\$(352,963)
Total	\$4,835,181	\$4,348,234	\$(311,646)	\$(175,300)	\$(486,946)

¹ Fleet operating budget does not include fuel or vehicle replacements.

² Allocation estimate based on FY 2012-13 Fleet Internal Service Fund charges of 64% to the General Fund and 36% to Non-General Fund sources.



Priority recommendations from the Fleet Utilization review included:

1. Reducing, reassigning and/or pooling 88 units. This represents 9.8% of the City's fleet. Of the 88 units, 39 are recommended for surplus. If implemented, the estimated ongoing and one-time savings include:
 - Surplus units: \$66,050 (one time)
 - Operational savings: \$160,890/per year
 - Cost avoidance (not having to replace vehicles and equipment): \$95,680
 - Ten-year savings in operational costs and cost avoidance: \$2.5 million
2. Establishing a central motor pool at the City-owned Stewart Eberhardt Building (SEB). Encouraging the use of personally owned vehicles when appropriate, as it is far more economical than using a pool or assigned vehicle.
3. Establishing a new heavy equipment pool at the Municipal Service Center, managed by the Fleet Management Section.
4. Auctioning 118 surplus vehicles and equipment that have accumulated at the Municipal Service Center.

Table 5 shows total projected savings through reduction in units and cost avoidance to be \$487,620 from both the General Fund and Non-General Fund Departments.

Table 5. Projected Savings from Utilization Reductions and Cost Avoidance

Cost Savings Category	One-Time Cost Savings		Annual Cost Savings		
	Non-General Fund Departments	General Fund	Non-General Fund Departments	General Fund	Total
Operational Savings from Reduction of 39 Units	N/A	N/A	\$(72,753)	\$(88,137) ²	\$(160,890)
Replacement Cost Avoidance	N/A	N/A	\$(21,106)	\$(74,574) ³	\$(95,680)
One-time Income from Reduction of 39 Units	\$(6,300)	\$(59,750) ⁴	N/A	N/A	N/A
One-time income from Reduction of 118 units	N/A	\$(165,000) ⁵	N/A	N/A	N/A
Total Cost Savings	\$(6,300)	\$(224,750)	\$(93,859)	\$(162,711)	\$(256,570)

¹ The Fleet Operating Budget does not include fuel or vehicle replacements.

² Savings realized by General Fund fleet customers not having to pay annual OM, overhead and fuel costs on 31 units.

³ Savings realized by General Fund fleet customers not having to pay annual replacement costs on 31 units.

⁴ Based on estimated surplus values of 31 General Fund units

⁵ Represents estimated surplus value of 118 General Fund units at Corporation Yard



Table 6 summarizes the projected total savings from management and operations (Table 4) and utilization reductions and cost avoidance (Table 5). As shown in this table, nearly \$1 million can be saved in both the General Fund and non-General Fund departments, with \$743,516 on an ongoing, annual basis. The General Fund alone is projected to save \$699,107 from both one-time and annual cost savings.

Table 6. Total Projected Savings

Cost Savings Categories	One-Time Cost Savings			Annual Cost Savings			One-Time and Annual Total ¹		
	Non General Fund	General Fund	Total	Non General Fund	General Fund	Total	Non General Fund	General Fund	Total
Management and Operations	N/A	N/A	N/A	\$(175,300)	\$(311,646)	\$(486,946)	\$(175,300)	\$(311,646)	\$(486,946)
Utilization Savings & Costs Avoidance	\$(6,300)	\$(224,750)	\$(231,050)	\$(93,859)	\$(162,711)	\$(256,570)	\$(100,159)	\$(387,461)	\$(487,620)
GRAND TOTAL	\$(6,300)	\$(224,750)	\$(231,050)	\$(269,159)	\$(474,357)	\$(743,516)	\$(275,459)	\$(699,107)	\$(974,566)

¹One-Time and Annual Total is only for the first year of savings as one-time savings will not be repeated.

2. FLSA Position Designations

The City has retained a consultant to perform an audit of City classifications relative to their designated exemption status under FLSA for purposes of overtime eligibility. The results of this audit may change FLSA exemption status for certain job classifications and may potentially reduce overtime costs for those positions which are currently designated as non-Exempt, but should be Exempt under FLSA. If the City moves forward to propose changes in any classification's FLSA status, the City would meet and confer with the classifications bargaining unit over any proposed changes in FLSA status before implementing any change. This is a continuation of the process the City has undertaken to ensure that overtime costs incurred are pursuant to but do not exceed the requirements under FLSA. The cost savings from this analysis cannot be determined until the review is completed.

3. Parking Meter Revenue

Police staff estimate that three of Stockton's existing Community Services Officers (CSOs) currently each dedicate 20% of their time to parking meter enforcement and the rest of their time to other policing and specialized parking responsibilities. As a result, approximately 0.6 FTEs are currently allocated to monitor the 1,660 parking meters in Stockton. (The City has approximately 1800 meters, but up to 140 may be disabled due to vandalism or maintenance at any given time). This is a significant decrease from FY 2008-09 when Stockton had the equivalent of 3 FTEs allocated to enforcement.



Table 7 shows the number of authorized positions for parking enforcement during the period FY 2007-08 through 2012-13. This table shows the dramatic reduction in staffing allocated to parking enforcement.

Table 7. Stockton Parking Enforcement Staffing Levels

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Number of CSOs	6	6	6	3	3	3
Percent of time each CSO allocates to parking enforcement	45%	50%	40%	20%	20%	20%
FTEs allocated to parking enforcement	2.7	3.0	2.4	0.6	0.6	0.6

This staff reduction may explain in part why parking meter revenue has leveled off (Table 8) and parking citation revenue (Table 9) has declined in Stockton. In FY 2008-09, Stockton allocated 3 FTEs to parking enforcement and residents paid for over 1 million metered hours; in FY 2011-12, however, the City allocated only 0.6 FTEs and parkers paid for just over 750,000 metered hours. In brief, fewer people have been paying parking meters compared to previous years and this trend may be somewhat correlated with parking enforcement staffing levels.

Table 8. Stockton Parking Meter Data, FY 2007-08 through 2012-13

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13 YTD ¹
Parking meter rate	\$0.50	\$0.50	\$0.50	\$0.50	\$1.00	\$1.00
Parking meter revenue²	\$515,719	\$536,473	\$539,054	\$498,156	\$505,912	\$556,856
Number of paid metered hours	1,031,438	1,072,946	1,078,108	996,312	758,868	556,856

¹ Through May 30, 2013.

² The parking meter rate in FY 2007-08 until mid-January 2012 was 25 cents per hour for a 10 hour space and 50 cents an hour for all other meters. In mid-January 2012 (half-way through the fiscal year) all meter rates were raised to \$1/ hour.



Table 9 contains data provides data and revenue regarding parking meters and citations over the last five years.

Table 9. Stockton Parking Meter and Enforcement, FY 2007-08 through 2012-2013

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	YTD as of May 30, 2013
Number of parking meters¹	1,660	1,660	1,660	1,660	1,660	1,660
Total meter revenue²	\$515,719	\$536,473	\$539,054	\$498,156	\$505,912	\$556,856
Number of parking citations³	22,132	31,315	25,971	14,972	13,824	13,294
Average revenue per citation⁴	\$40.86	\$45.16	\$86.21	\$88.84	\$57.66	\$43.45
Total citation revenue	\$904,385	\$1,414,103	\$2,238,868	\$1,330,139	\$797,057	\$577,574

¹ The City of Stockton monitors approximately 1,800 parking meters. City staff estimate that at any given time, 100 of those may be out of commission due to vandalism and another 40 due to routine maintenance.

² The parking meter rate in FY 2007-08 until mid-January 2012 was 25 cents per hour for a 10 hour space and 50 cents an hour for all other meters. In mid-January 2012 (half-way through the fiscal year) all meter rates were raised to \$1/ hour.

³ Parking citations include non-metered, restricted parking as well as metered parking.

⁴ With the new third-party collection contract in 2008, the City invoked the full scope of processing and collection services offered by the agreement. This included more active collection services (cost borne by the individual paying the citation) and 100% value of the citation being remitted to the City. This resulted in the clearing of a backlog of citations. Since then, enforcement has dropped as have citations.

The decline of paid metered hours could also be associated with a range of other things, such as the downturn of the economy, sensitivity to meter rate price changes, and shoppers electing to spend their dollars in areas without parking meters. Another possible explanation is that those who park at metered spots may not be paying for parking if they know that the City is not effectively enforcing parking meters. Distinguishing between these potential causes could not be determined within the scope of our analysis, but there was a significant reduction in the total number of paid metered hours in the year following the largest reduction in parking enforcement.

A lower cost option for parking enforcement personnel is available which would provide increased hours for enforcement. The current use of Police Department Community Services Officers to perform parking enforcement duties is an expensive use of their time and competes with other priority work that they are accomplishing and assigned. On average, parking enforcement officers (PEOs) hired by comparable California cities are less costly than Community Services Officers and can be more efficient because parking enforcement is their primary responsibility. Management Partners recommends that that Stockton reduce costs by implementing a separate classification for parking enforcement personnel. This would also release Community Services Officers to perform other, more strategic duties within the police department.

Recommendation 1. Increase staffing allocation by 4 FTEs (three parking enforcement officers and one supervisor) in the Police Department to expand parking enforcement services in the city.



We recommend that Stockton increase its staffing allocated toward parking enforcement to at least 3 FTEs to potentially return to FY 2008-09 parking enforcement levels. Based on Stockton's previous history, the City should be able to optimize its net revenue if it hires at least 3PEOs at a lower cost rate. The Police Department states that 3 or more full-time additional PEOs would also require a supervisory position to oversee the function. Management Partners estimates that this staffing configuration would cost the City of Stockton approximately \$236,000.

As shown in Table 10, implementation of this recommendation could result in annual meter revenue to the Central Parking District of between \$628,133 to \$1,072,946 and net citation revenue to the General Fund up to \$1,127,200, even as it increases parking enforcement staffing levels and costs. The revenues estimated above represent an increase to the City's net parking meter revenue from between \$122,221 and \$567,034 over FY 2011-12 levels and annual citation revenue by up to \$366,239 (Table 1). The variation between these projections is due to the uncertain relationship between parking meter enforcement and parking meter revenue.

Table 10. Estimated Meter and Citation Revenue With Change in Staffing Levels

Scenario	FTEs	Meter Revenue ¹	Citation Revenue			Total Meter and Citation Net Revenue
			Citation Revenue ²	Increased Personnel Cost	Net Citation Revenue	
Scenario 1: Hire 4 FTE positions in parking enforcement (Assuming a strong relationship between meter revenue and enforcement)	4.0 ³	\$1,072,946	\$1,363,200	\$236,000	\$1,127,200	\$2,200,146
Scenario 2: Hire 4 FTE positions in parking enforcement (Assuming no relationship between meter revenue and enforcement)	4.0	\$628,133	\$1,363,200	\$236,000	\$1,127,200	\$1,755,334
Scenario 3: FY 2011-12 (No change in FTE positions)	0.6	\$505,912	\$797,057	\$36,096 ⁴	\$760,961	\$1,266,873

¹ Meter Revenue accrues to the Central Parking District.

² Citation revenue accrues to the General Fund.

³ This includes line parking enforcement personnel (3 FTEs) and a parking enforcement supervisor (1 FTE).

⁴ The average total compensation for CSOs (\$60,160) multiplied by 0.6 FTEs; this does not take into account overhead costs.

4. Regional Fire Dispatch

Stockton's Emergency Communications Dispatch (ECD) provides fire dispatch services for the City, its four contract fire district areas and the City of Manteca. It is located at 110 W. Sonora St (Fire Company No. 2). All of the other fire agencies in San Joaquin County, with the exception of Stockton, four fire districts for whom Stockton dispatches, and the cities of Manteca and Lodi, contract with a fire agency joint powers authority known as the Joint Radio Users Group (JRUG). The Joint Powers authority currently contracts with Lifecom for services. LifeCom is



owned and operated by American Medical Response (AMR) which also provides ambulance transport services for much of the County.

Table 11 shows the annual budget for the Stockton fire dispatch operation for the last three fiscal years.

Table 11. Stockton ECD Budget FY 2010-11 through FY 2012-13

Budget Allocations	FY 2010-11	FY 2011-12	FY 2012-13
Employee Services	\$2,004,605	\$1,850,616	1,746,728
Other Services	\$687,152	\$634,965	\$500,622
Materials and Supplies	\$29,795	\$29,795	\$22,200
Other Expenses	\$6,245	\$1,825	\$1,450
Total Budget	\$2,727,797	\$2,517,201	\$2,271,000

Stockton's fire dispatch center was constructed in 1995 and was designed as a regional dispatch center, with seven workstations for call takers, dispatchers and a supervisor. The center dispatches over 44,000 incidents per year and uses up to four of the workstations. The Stockton Emergency Communications Dispatch (ECD) also performs afterhours dispatching for the City's Public Works Department.

Since LifeCom is required by the County Emergency Medical Services Agency (EMSA) to perform emergency medical dispatch (EMD) call screening procedures on all medical calls within the County, Stockton's ECD performs the dispatching of fire apparatus to fire and EMS calls, but not the EMD service (with rare exceptions).

City of Lodi fire dispatch: The Lodi Fire Department has received dispatch services from the Lodi Police Department since 2009. The fire department serves a population of approximately 63,000. Similar to the City of Stockton, all 911 medical calls received by the Lodi Police Department are transferred to LifeCom and once the location and type of call is determined, the call is then dispatched by the Police communications center.

Joint Radio Users Group (JRUG) and LifeCom

Prior to 2006, the City of Stockton provided fee-based dispatching services for all the fire agencies and the ambulance services in the County from their regional fire dispatch facility. As dispatching fees from the City continued to rise, a majority of the fire agencies migrated to the LifeCom operation, for a much lower cost than they were paying the City of Stockton. The fire agencies formed the Joint Radio Users Group (JRUG), a Joint Powers Authority (JPA) to handle dispatch billings to each agency and to make a single monthly payment to LifeCom on their behalf. JRUG also handles all radio infrastructure maintenance and purchasing via a \$5.00 per emergency call assessment. LifeCom currently provides fire and EMS dispatching for 15 fire agencies.

Based on FY 2008-09 call volumes (the most recent information available), Table 12 provides an estimate of revenue that might be received by JRUG in FY 2012-13, based on preliminary rates and charges (the JRUG budget had not been completed in February 2013 when this information was obtained). The budget shows the fees (subject to annual adjustments) that the JPA pays to



the contractor are \$10.95 for each medical dispatch and \$21.90 for each fire dispatch. Additionally, a charge of \$5.00 per dispatched call is assessed to support JRUG administrative operations.

Tracy is the second busiest fire agency in the County with 5,946 calls dispatched last year, as compared with Stockton, which is the busiest at 44,967 calls dispatched last year. The annual fee paid by the City of Tracy is \$115,512, which is an average cost of \$19.42 per dispatched call. This compares with a cost to the City of Stockton of \$51.61 per dispatched call, based on the total annual costs of the City's dispatch operation of \$2,271,000. The City of Stockton charges the City of Manteca \$10.77 per medical call and \$21.55 for non-medical calls dispatched through the Stockton ECD. These charges are similar to what JRUG charges its member agencies.

AMR is required to provide EMS dispatch services as part of its ambulance transportation contract with the County, which it does through LifeCom. Due to the existence of its transport fee-supported infrastructure for these dispatch services, AMR's LifeCom can offer EMS and fire dispatch services to other emergency service providers at a lower cost than the providers might otherwise pay if each had its own dispatch center.

Table 12. Joint Radio Users Group – Estimated FY 2012-2013 Revenue

Jurisdiction	Total Calls ¹	EMS Calls	Revenue from Medical Calls (\$10.95 per Call)	Fire Calls	Revenue from Fire Calls (\$21.90 per Call)	Total Dispatch Revenue	JRUG Admin Fee (\$5.00 Per Call)	Total Revenue
Escalon	1,016	785	\$8,595.75	231	\$5,058.90	\$13,654.65	\$5,080.00	\$18,734.65
Ripon	1,361	1,078	\$11,804.10	283	\$6,197.70	\$18,002.00	\$6,805.00	\$24,806.80
Lathrop/Manteca	1,957	1,384	\$15,154.80	573	\$12,548.70	\$27,703.50	\$9,785.00	\$37,488.50
Farmington	198	135	\$1,478.25	63	\$1,379.70	\$2,857.95	\$990.00	\$3,847.95
Linden-Peters	531	358	\$3,920.10	173	\$3,788.70	\$7,708.80	\$2,655.00	\$10,363.80
Clements	185	137	\$1,500.15	48	\$1,051.20	\$2,551.35	\$925.00	\$3,476.35
Woodbridge	1,288	877	\$9,603.15	411	\$9,000.90	\$18,604.05	\$6,440.00	\$25,044.05
Tracy	5,946	4,058	\$44,435.10	1,888	\$41,347.20	\$85,782.30	\$29,730.00	\$115,512.30
French Camp	962	743	\$8,135.85	219	\$4,796.10	\$12,931.95	\$4,810.00	\$17,741.95
Liberty	229	169	\$1,850.55	60	\$1,314.00	\$3,164.55	\$1,145.00	\$4,309.55
Mokelumne	495	369	\$4,040.55	126	\$2,759.40	\$6,799.95	\$2,475.00	\$9,274.95
Collegetteville	83	52	\$569.40	31	\$678.90	\$1,248.30	\$415.00	\$1,663.30
Waterloo-Morada	1,568	1,202	\$13,161.90	366	\$8,015.40	\$21,177.30	\$7,840.00	\$29,017.30
Thornton	347	231	\$2,529.45	116	\$2,540.40	\$5,069.85	\$1,735.00	\$6,804.85
Montezuma	638	464	\$5,080.80	174	\$3,810.60	\$8,891.40	\$3,190.00	\$12,081.40
TOTALS	16,804	12,042	\$131,859.9	4762	\$104,289	\$236,148.90	\$84,020.00	\$320,168.90

¹Data on the number of dispatched calls was obtained from FY 2008-09 call volumes, the most recent information available at the time.



Alternatives Considered: Management Partners examined three alternatives to reducing fire dispatch costs, which are summarized below:

Alternative 1: Create a combined Stockton Police/Fire Communications Center

This alternative has been reviewed several times by Stockton Police and Fire Department staff following the separation of the two dispatch functions in 1984. Due to existing space availability, Management Partners' review of combining police and fire operations focused on a potential relocation of the fire dispatchers into the new Police Department communications center in the Stewart Eberhardt Building (SEB).

Previous estimates of moving the fire dispatch function to the Police Department have been as high as \$3,135,000, assuming that all new radio, computer aided dispatch (CAD), phone and workstations would be purchased and installed prior to the fire dispatchers moving. Due to the infrastructure now available in the Police Communications Center, most of these costs could be avoided in the near term. However, the Fire Department would greatly benefit from a newer CAD system that facilitates mobile data computer technology, as utilized by most Police and Fire agencies in moderate to large jurisdictions. Such technology would require a major capital investment.

The most common concern raised by combining police and fire dispatch functions is how priorities are established and carried out. The nature of police and fire emergency calls is fundamentally different. As a result of law enforcement call types and the volume of calls processed by Police dispatchers (in many cases 10 times the call volume of the fire department), fire departments often comment that their needs are not adequately addressed in a combined center, managed by Police staff. A key component to having a long term and successful merger of these two functions is to have a high level and jointly staffed oversight team, to ensure that operational problems get addressed in a timely and respectful manner. This is a significant challenge in combined discipline (law and fire) communications centers, although it has been accomplished successfully in several locations in California. In these cases, the best practice has been to maintain separate police and fire dispatch pods within the consolidated call center.

This alternative has the potential to reduce the number of fire ECD positions as a result of being able to utilize police call-takers and the availability of communication managers in the Police Department. The following is an estimate of potential savings; however, an in-depth call analysis would have to be conducted in order to determine the correct ECD position configuration.

Estimated annual salary savings: \$494,000.

Estimated Implementation Costs (with CAD upgrade): \$750,000 to \$3,135,000 (all new CAD, radio, phone and workstations).



Alternative 2: Create a Regional Fire Dispatch with Stockton serving as host agency

This alternative would essentially be modeled after the original regional fire dispatch center operated (between 1995 and 2006) out of Fire Company No. 2. This model would potentially involve all fire agencies in the County. LifeCom would continue to screen medical calls and forward those calls to the regional fire dispatch center. In order for the fire agencies to migrate from LifeCom back to the Stockton Regional Communications Center, there likely would be a clear expectation that the rates for dispatching would be similar to those being currently charged by LifeCom. As shown in the previous JRUG budget summary, LifeCom charges to the fire agencies amounts to \$317,670 per year. This amount would fund up to three dispatch positions, based on the current ECD salary schedule.

When Stockton was performing dispatch services for all the fire agencies in the County, the workload was handled by five dispatchers per shift. Currently the ECD has three dispatchers and one supervisor on duty per shift. One of the challenges of this model would be the issue of handling increased emergency call volume (estimated at 53%) and only having the financial capacity to add three dispatchers (a 23% increase in dispatching staff). To fund the staffing levels utilized when the ECD dispatched for all the fire agencies in the County, the JRUG member agencies would likely have to increase their contributions by 100% from what they are currently paying, which is not likely to occur.

Alternative 3: Participate in LifeCom Dispatch Services through JRUG

Table 13 shows an estimate of the fees Stockton would be charged for dispatch services under the current JRUG fee schedule as well as the estimated savings for dispatch services. Even if the numbers are higher, and they are likely conservative, the potential savings over the current City fire dispatch operation are compelling.

Table 13. LifeCom Dispatch Services Cost and Savings Estimate

Service Cost and Savings Estimates	Amount
Estimated EMS Dispatch Charges: 29,250 calls per year at \$10.95 per call	\$327,952
Estimated Fire Dispatch Charges: 9,750 calls per year at \$21.90 per call	\$213,525
JRUG Administrative Charge: 39,000 calls per year at \$5.00 per call	\$195,000
Total cost estimate of LifeCom alternative	\$736,477
Current Stockton ECD budget allocation	\$2,271,000
Estimated LifeCom/AMR charges to the City of Stockton	\$736,477
Savings sub-total	\$1,534,523
Potential residual ECD costs (utilities, technology support, etc.)	\$400,007
Sub-total	\$1,134,516
Loss of Manteca dispatch revenue	\$81,252
Net estimated savings to City of Stockton	\$1,053,264



JRUG and AMR's agreement for Fire and EMS dispatch services began April 13, 2006 and terminated on May 1, 2011. There were two 1-year extensions, the most recent expiring on May 1, 2013. The new extension is still under discussion and has not yet been finalized.

San Joaquin County's contract with AMR began May 1, 2011 and terminates on May 1, 2016. The Board of Supervisors may extend the contract for any additional period as may be approved by the State of California Emergency Medical Services Authority.

Regional Fire Dispatch Considerations: Regional fire dispatch has been successful throughout California, representing a governance model many local agencies have sought not only to reduce costs but also gain efficiencies. The models range from special fire districts who deliver fire services over a geographic area to cities and counties that have come together to form a regional dispatch center only, typically through a JPA. In addition to emergency medical services, a priority interest of those that participate in regional dispatch operations is to ensure that fire call handling meets the standards and protocols of the participating agencies for dispatching fire apparatus effectively. Achieving a consensus regarding these standards and protocols can be challenging as each agency may have slightly different operational standards. Nonetheless, such standards are available and observed in successful regional fire dispatch operations.

Recommendation 2. Initiate discussions with San Joaquin fire agencies, the existing JPA (JRUG), San Joaquin County and other local regional fire dispatching agencies to determine the feasibility, costs, parameters and efficiencies of participation in an existing or creation of a new entity to provide fire dispatch services for the City.

The objective of the discussion would be to assess the costs, benefits of possible service improvements, organizational efficiencies and public safety improvements of a regional approach to fire dispatch and return to the City Council with a report on options. The assessment would address risk, fire call handling standards, budget, operational efficiencies, the benefits of standardized dispatch responses in the region, service improvements and operational considerations. If upon receipt of this assessment and analysis the City believes further discussion of this option is warranted, the City would also meet and confer with appropriate bargaining units representing potentially affected employees before any final recommendations would be made to the City Council.

Category 2: Productivity and Efficiency Improvements

In addition to the City's bankruptcy and related proceedings, the City must continue to move forward with developing a City service model that can be sustainable over the long term. This not only requires additional revenue resources, but also an examination of the way the City delivers services and the systems that support the services. For too long a period, the City has been unable to focus on these kinds of issues as they have been striving for some stability so



they can begin to look forward. As part of our project management contract with the City, Management Partners was engaged to assist the City in examining options and recommendations regarding productivity and efficiencies as well as direct cost savings.

The initiatives which surfaced in our interviews and were identified as priority opportunities by Management Partners are listed in Table 14. The table describes the objective of the area or focus, and its status; the majority of which are underway. Two of the opportunity areas are discussed further below. Additionally, others not listed in the table are being addressed in the City's Strategic Initiatives project, while still others are underway internally and across departments. We believe that each of these will result in significant efficiency savings for the organization when implemented. This will occur primarily as a result of more efficient deployment of resources and staff and critically needed management information to support both policy and day to day administrative decision making.

Table 14. Productivity and Efficiency: Major Areas of Focus/Opportunities

Area or Topic	Objective / Status
1. Asset/Real Property Management	Develop an Asset Management Program which consolidates the responsibility of city owned and leased properties in one place for effective management and monitoring. Review all city owned and leased properties to ensure (Underway)
2. City Council Agenda Process	New program acquired and installed to streamline existing process; training ongoing.
3. Computerized Maintenance Management System (CMMS)	Acquire software application to track maintenance on major physical assets to efficiently document preventive maintenance schedules, schedule work, and manage information. RFP issued to manage and allocate maintenance work in Public Works and Municipal Utilities Departments; responses under review.
4. Consolidation of Parking Functions	Consolidate all oversight and operational responsibility in one City department. To be considered following implementation of expanded parking enforcement program.
5. Contract Management	Revise internal contract management processes and procedures (centralize overall monitoring function), and conduct training, to ensure compliance with contract terms and the most cost effective means of conducting city business.
6. New Financial System	New financial, personnel, payroll and related systems required to cost effectively track and monitor the City's finances, manage human resources information, process payroll and provide management information and planning capability. Requirements definition phase to be launched.
7. IT Policies and Procedures	Develop policies and procedures to guide departments and ensure appropriate protocols in accordance with industry best practices (Underway)
8. Purchasing and Contracting Authorities	Raise current authorities to industry standards, with appropriate safeguards to streamline product and service acquisition time and lower costs. New policies and procedures and possible Charter amendment may be required.
9. Purchasing Policies and Procedures	Review existing outdated policies and procedures to meet department and customer interests in efficiency and effectiveness.



Payroll Process Study/New Financial System: In discussions with City staff, we found a strong consensus that the City's payroll process was inefficient and in need of replacement. In fact, it was at the top of the list that senior staff wanted to see addressed in terms of efficiencies. Staff highlighted a number of problems with the payroll process, particularly commenting on how it is exceptionally time consuming, representing one of the single greatest frustrations among departments with the City's financial system. Not only is processing payroll challenging and labor intensive, but timekeeping and processing personnel actions are completely manual in some areas of the city. In some cases, departments have developed customized systems for their own use. Management information is practically unobtainable. The City's financial, payroll and human resources application is provided by HTE and was installed in 1991-92. HTE customized the payroll application for the City; however, the custom programs are not well documented. In an effort to reduce software maintenance costs, the City changed providers and as a result the City is no longer eligible to receive application version updates from HTE.

Management Partners hired a sub-consultant to analyze and document the City of Stockton's payroll processes to determine the level of staff effort currently required to process its payroll. This analysis showed that the City is expending about \$490,314 annually in employee costs to produce and process payroll. The study concluded that this could be reduced to less than half the cost, or about \$211,481, if the City were to acquire a new payroll and human resources system, streamline the calculation of FLSA and changing the pay frequency from semimonthly to biweekly.

The analysis also showed that the HTE payroll and human resources applications are deficient, resulting in, among other things, the Payroll Division staff having to rely on spreadsheets and other workarounds. Replacing only the payroll and human resources applications would require an interface to HTE for financial reporting. Although HTE has a newer payroll application version, the expense and level of effort required would be better spent with a state-of-the-art payroll system able to be seamlessly integrated with a modern financial system.

Other financial applications are also critical to effective and efficient management of the City's resources. With a financial system over 20 years old, and one that is no longer supported by the vendor, and given the size of the City's budget that needs to be managed, it is timely to begin planning for a new system. As a result of this analysis, the City has decided to allocate an existing resource designated for this purpose to begin to define the requirements of a new financial system. Such a new system could ultimately cost from \$5 to \$10 million, depending on the system chosen, project management and phasing of the various modules.

Consolidation of Parking Functions to Achieve Efficiencies: Parking enforcement, meter maintenance and the City Parking program are spread across three departments: Police, Public Works and Economic Development. This creates a discontinuity among three operations that ought to be functioning as one integrated unit to ensure clarity of goals and productivity, and optimization of budget resources. Typically, in larger cities, parking management and



operations are either in a standalone department experienced in overseeing a single operational function or a public works department.

Management Partners recommends that following the ramp-up of parking enforcement personnel, Stockton consolidate all oversight and operational responsibility for the City's parking program in one department. In Stockton, the Public Works Department has experience and similar functional responsibility and may be the best candidate. We understand this may require an amendment to the City Municipal Code to provide for delegation of enforcement responsibilities by the Chief of Police to the function.

Conclusion

The City of Stockton is implementing multiple efficiency improvements throughout the organization. Management Partners' analysis identified several opportunities for saving significant dollars, increasing revenue and optimizing efficiency of staff.



Management Partners



To: Mr. Kurt Wilson, Deputy City Manager
Mr. Gordon MacKay, Public Works Director

From: Andy Belknap, Regional Vice President
Greg Fassler, Special Advisor

Subject: Fleet Management Assessment – Privileged and Confidential

CC: Mr. John Luebberke, City Attorney
City of Stockton

Date: June 10, 2013

Executive Summary

As part of the Cost Savings/Efficiency Improvements Project, Management Partners reviewed Stockton's Fleet Management operation and its utilization of vehicles and equipment. Management Partners completed this assessment through two interrelated professional reviews. This memorandum summarizes the results of our Fleet Management Assessment, while the results of the Utilization Study are provided in a separate document. The Fleet Management Assessment examines the section's structure, service delivery, business practices, staffing and operations to identify opportunities to enhance efficiency and effectiveness. The Utilization Study identifies underutilized vehicles and equipment and offers alternative means of transportation and recommendations for developing a city-wide fleet usage policy.

This memo contains 28 recommendations to enhance the efficiency and effectiveness of services that Fleet Management provides. The recommendations range from developing more comprehensive preventive maintenance programs to revising the methodology used to calculate the shop labor rate. A summary is provided as Attachment A.

Management Partners estimates that implementing the recommendations in both memoranda could save about \$750,000 per year in operational costs. Based on our Fleet Assessment the City could save about \$133,983 annually in staffing and about \$352,963 annually in service and supply costs. By declaring the 39 vehicles and equipment recommended in our Utilization Study as surplus, the City could save \$160,890 per year in annual operating costs and realize one-time income of \$66,050 from the sale of these units. The City would also realize \$95,680 by not having to replace these units. Furthermore, estimated one-time income of about \$165,000 could be achieved by auctioning the 118 units that have accumulated at the Municipal Service Center.

Table 1 summarizes the annual operating cost and one-time cost impacts from recommendations in these memoranda. Attachment B provides a summary of the cost impacts of implementing the recommendations from both the fleet management assessment and utilization components of this project.

Table 1. Summary of Cost Savings from Report Recommendations

Cost Category	One-time Cost Savings	Annual Cost Savings
Staffing		\$133,983
Service and Supplies		\$352,963
Disposal of 39 Units	\$66,050	\$256,570
Auctioning 118 units (surplus) at the Municipal Service Center	\$165,000	
Total	\$231,050	\$743,516

Note: As with each of the analyses conducted as part of our contract with the City for this purpose, Management Partners was limited by the scope (hours) of the entire efficiency and streamlining project. The goal was to identify opportunities for the City to achieve efficiencies and improve operational practices consistent with best practices in local government. As a result, Management Partners was unable to allocate as many hours to obtain or analyze data as a typical independent fleet management assessment would require. Nonetheless, we believe this memorandum provides sufficient information and a strong basis for City staff to make significant improvements in its fleet operation.

Overview

Periodically examining fleet assets to ensure efficient management of the investment is a best practice in local government and generally consists of two major components, fleet management assessment and a utilization review. The fleet management assessment identifies opportunities for improvement and is structured to provide the City with an overall review of fleet management (including maintained equipment) with a specific focus on the use of positions assigned maintenance responsibilities, planning for succession in those positions and the utilization of fleet assets.

Industry experience also tells us that organizations that do not routinely conduct utilization reviews can be “over fleeted,” with some vehicles being underutilized. Over time, fleet customers can acquire vehicles and equipment that are not essential to their operations, causing the fleet to expand. This is known as “fleet creep” and typically goes undetected as years pass. Many factors can contribute to this including not declaring vehicles and equipment that have been replaced with newer units as surplus equipment, adding free “surplus” equipment or “grant-obtained” vehicles to the fleet, and reassigning high-use units to low-use applications. More importantly, the lack of economic incentives and policy guidelines to acquire and use vehicles and equipment contribute greatly to the over-fleet issue. The results of the fleet utilization review are provided in a separate memorandum.



Figure 1 below graphically depicts the work by Management Partners on both elements of the fleet management review.

Figure 1. Fleet Management Review Project Approach



The Fleet Management Section is part of the Operations and Maintenance Division of the Public Works Department. Currently, there are 27 full-time employees and 8 part-time employees in the section.

The City of Stockton has a major investment in its fleet of 895 vehicles and equipment, estimated at approximately \$36 million (based on replacement costs). The fleet supports the City's 12 departments that are staffed with 1,690 employees.

As mentioned previously, the management and operations component of our review was conducted at the same time as the utilization study. Information was collected through interviews with management and staff, site visits, a review of policies and practices, a review of financial planning and results, an examination of operating data. We also compared Stockton's operations with industry standards and data developed from previous government vehicle and equipment maintenance review projects.

This review identified a number of fleet and equipment management practices that, if implemented, could improve the functionality of the City's maintenance efforts. Many of the recommendations reflect a basic transition of the operation of this function from its historical, informal roots to a more formal structure, which incorporates current best practices. The operational recommendations address the following major issues:

1. **A lack of consistent and comparable fleet and equipment maintenance data from the fleet operation.** The City has not established and implemented a performance measurement system and consequently, does not have associated data. This missing information includes



measures such as downtime, repeat repairs, mechanic performance, labor costs, and vehicle miles per gallon, all of which are helpful in evaluating agency performance against industry standards. The City's plan to replace the current fleet management information system with a more adequate and comprehensive system should help with these issues.

2. **The inability of the current operational structure and staffing to support the fleet.** In addition to a number of mechanic vacancies resulting from the City's fiscal challenges, the aging fleet has 172 (out of 895) units overdue for replacement. This has placed a tremendous burden on the workload of the fleet management shop. Many fleet customers stated that spare vehicles are a necessity because of the poor turnaround time when their units are in the shop for repairs. A new staffing plan addresses the organizational issues reflected in this memorandum and recommends creating a second shift at the shop.
3. **A lack of awareness by the Fleet Management Section managers or the department of its costs relative to the marketplace.** Management Partners calculated a fully burdened shop labor rate of \$148/hour, which is nearly twice the current labor rate used by fleet management. This is due primarily to the number of mechanic vacancies, higher than usual administrative costs and the low productivity (wrenching hours) of its mechanics.
4. **A financial and management information system incapable of effectively managing costs or encouraging efficiencies.** The City's current fleet operations financial planning process does not encourage positive behavior of fleet customers in terms of minimizing fleet size and an efficient vehicle support system. Development and implementation of a chargeback system to track and recover the costs associated with fleet maintenance is critical to addressing this issue.
5. **The lack of a comprehensive fleet transportation policy that applies to officials and employees when conducting official business.** All fleet related functions should be under the full control and management of the Fleet Management Section. The policy should establish guidelines relating to vehicle assignment criteria, standby and take home usage and use of personal vehicles. It should also include performance measures that effectively monitor and manage the fleet services function.

Fleet Management and Operational Policies

The City of Stockton maintains a fleet of 895 vehicles and equipment with a FY 2012-13 \$4.8 million annual operating budget. In addition to the annual operational budget, the City's investment in its fleet is probably in excess of \$36 million. In other words, fleet management is a critically important business for the city, both operationally and financially. Systems, oversight and management, therefore, must function effectively and be well integrated to ensure not only customer satisfaction, but as important, that the fleet operational team operates with a common mission and set of expectations for service delivery. Implementation of the recommendations contained in this Management Assessment as well as the Fleet Utilization report will require sustained and focused leadership from the department head, deputy director, and especially the fleet manager.

Recommendation 1. Establish operational and performance expectations for the fleet manager to ensure the position clearly understands department and citywide business goals and objectives for the fleet management function.



The Fleet Management Section operates one central maintenance facility located at the Municipal Service Center and serves all City departments. The Section is responsible for fleet administration, asset management, fueling, preventive maintenance and repair work for all vehicles, including motorcycles, painting and fabrication. The section is comprised of 34 positions that report to the fleet manager. They include one supervising mechanic, twelve mechanic IIs, five mechanic IIIs, one welder/fabricator specialist, one auto painter repair worker, three facility maintenance workers, one project manager I, one office specialist, one office assistant I, one part-time office assistant I and seven part-time program specialists. Two of the twelve mechanic II positions are currently vacant.

Auto parts procurement is a function of the Purchasing Division of Administrative Services. However, 30% of the purchasing agent's salary, 80% percent of one materials specialist's salary and 100% of another half-time material specialist's salary are included in the Fleet Management budget. Stores is located adjacent to the light duty shop and provides in stock and out-of-stock parts that support Fleet Management and other city departments.

Management Policies

Having policies to govern how vehicles are assigned and how they are to be utilized and cared for is a common practice in local government agencies. In 2001, the Public Works Department developed a "Procedures Manual for the Maintenance & Repair of Automotive Equipment." It outlines the responsibilities of fleet staff, internal procedures for routine maintenance and emergency repairs, accident reporting, vehicle operator responsibilities and fueling procedures. The manual does a good job of addressing the responsibilities of fleet staff and vehicle operators but falls short of defining fleet maintenance policies to guide and direct the management of the City's vehicle and equipment assets. Consequently, fleet transportation goals and objectives are vague and the responsibilities for implementing them are unclear.

The City needs to establish a policy that addresses fleet transportation for officials and employees when they are conducting official business. This should include performance measures that effectively monitor and manage the fleet services function. Guidelines relating to vehicle assignment criteria, standby and take home usage and use of personal vehicles are part of the City Manager's Administrative Directive No. MAN 16-Assignment of City Vehicles.

The most important policy management functions for any successful fleet organization should include:

- Fleet Policy and Financial Management
- Customer Services Management
- Fleet Cost Control and Charge-back Management
- Assignment and Fleet Size Management
- Fleet Replacement (Cycling) Management
- Fleet Service Delivery Management



One way to develop such fleet management policies is through the creation of a Vehicle and Equipment Committee. Such a committee would be comprised of representatives from the various departments who utilize fleet services. A committee chair, preferably a manager from the City Manager's Office or Administrative Services, should lead the group. The fleet manager's role should be to staff the committee and bring topics and analysis to the committee for discussion. The committee's purpose should be to address fleet-related issues such as developing fleet policy and guidelines relating to vehicle assignment criteria, standby, and take home use of personal vehicles.

Further, the committee could act as a platform for which fleet and its customers communicate about ongoing fleet service-related issues and act as a review board to evaluate all requests for additions to the fleet.

Recommendation 2. Establish a Vehicle and Equipment Committee whose main task is to develop comprehensive administrative policies for vehicles and equipment. Obtain samples of fleet policies and procedures from other municipalities to assist in developing appropriate policies for Stockton. (Appendix 1 provides one such example.)

Central Garage Facility

All maintenance and repair work is performed at the City's Municipal Service Center, which is the one central garage where the majority of light and heavy-duty units are maintained. The facility is open Monday through Thursday from 6:00 AM to 3:30 PM and every other Friday from 6:00 AM to 2:30 PM. In addition to the main garage, there are separate shops for motorcycle repairs, fabrication/make-ready and painting.

The service and repair area could be better organized to accommodate more efficient workflow. For example, heavy-duty mechanics must walk around the administrative offices and through the light duty repair area to access parts located at the far end of the garage. Relocating the parts operation between the light and heavy-duty repair areas would save mechanics a good deal of time. Another option might be to relocate the heavy shop to the storage area adjacent to the parts section of stores.

The number of bays appears sufficient to support the current compliment of mechanics as do the number and type of vehicle lifts that can accommodate all types of vehicles and heavy equipment, including long fire ladder trucks. In addition to the bays inside the garage there are covered areas outside the central garage where work can be performed. These areas contain lifts and equipment to perform smog checks.

The motorcycle shop, fabrication/make-ready shop and paint shop are all self-contained areas that are not connected to the main garage. The motorcycle shop and paint shop are each staffed by one employee while the fabrication/make-ready shop is usually occupied by at least two individuals. Because these shops are separate from the main garage, supervising these employees is difficult. Furthermore, the supervising mechanic that works in the administrative



offices of the central garage is isolated and has no view of the shop floor in either direction, or the other shops located across the way from the central garage.

Recommendation 3. Redesign the garage facility to support better workflow and provide supervision oversight.

Maintenance Program

The centerpiece of any vehicle maintenance program is its preventive maintenance (PM) program. A good PM program should minimize breakdowns and unscheduled repairs allowing for vehicles and equipment to remain in service without interrupting the daily tasks of customers. Fleet personnel were unable to state the shop's ratio of preventive maintenance to repairs. The typical fleet industry standard range is 60% to 70% PM to between 30% and 40% repairs. Fleet management stated there is a backlog of PM, but did not know the magnitude of the issue. However, they seemed to believe that they were keeping up with police vehicle work.

Stockton's Fleet Management PM program could improve in several areas. First, fleet management does not plan for its yearly preventive maintenance workload which should account for between 60% and 70% of all maintenance and repair work. Instead it relies on customers to bring in their vehicles and equipment for servicing based on stickers placed in their windows. These stickers indicate when to bring a unit to the garage based on when a vehicle or piece of equipment reaches certain mileage or hour thresholds. Appointments are not taken and as a result, fleet management is seldom aware of what will show up for service on any given day.

Recommendation 4. Organize the preventive maintenance workload for the entire year and notify fleet customers one month in advance of their PM appointment with a follow up e-mail reminder one week prior to appointment.

The PM checklists used by fleet management need to be reengineered because they are too broad-based. Instead of separate checklists for various classes of vehicles, fleet management uses checklists for light and heavy units, fire units, trailers and motorcycles. As a result, manufacturer-recommended inspections unique to individual classes are missed.

The PM checklists need to be redesigned to include such items as recording tire air pressures, tire tread depth, brake lining thickness and what actions were taken (i.e., inspected and ok, adjustments made, repair required). In addition, there should be a place for the mechanic's signature verifying that he has satisfactorily completed the inspection to the best of his/her ability. (See Appendix 2 for examples of PM checklists.)

The checklists currently being used do contain multiple echelons of progressive services, e.g., A-Service, B-Service, and C-Service. This is a fleet best practice. We noticed that several PM checklists incorporated a progressive, step-by-step inspection process that mechanics are required to follow. This is another fleet best practice that government fleets seldom use.



The PM service intervals that fleet management utilizes for its A, B and C Services are also too broad-based. For example, all units with odometers (miles) are serviced as follows:

- A-Service –5000 miles
- B-Service – 20,000 miles
- C-Service – 40,000 miles

PM services should generally be conducted according to manufacturer requirements unless fleet management has historical data that might override the manufacturer's criteria. In addition, all units with mile or hour criteria should have a time standard requiring that vehicle or piece of equipment be brought to the shop if it does not meet the mileage or hour standard. Most government fleet operations require that each unit be inspected once or twice per year regardless of the miles or hours it has traveled.

Recommendation 5. Redesign PM checklists to reflect appropriate (manufacturer) inspections and intervals applicable to various classes of vehicles and equipment. Include an optional time standard interval for scheduling PM inspections for those fleet units that do not meet minimum mileage or hour criteria.

Fleet management operates only one day shift. There is no swing shift or overlapping shifts to accommodate fleet customers whose units are typically used during the day. During the utilization study, fleet customers informed us of the need to have "spare" units available due to the lengthy turnaround times experienced when their units were in the shop for repairs. As a result, units appear to be withheld or delayed for routine maintenance, which impacts the operational efficiency of the unit.

Many municipal fleet operations of this size utilize more than one shift to perform most of their preventive maintenance work as well as repairs that cannot be completed during the day shift. A swing shift or overlapping shift arrangement is a best fleet practice because it accommodates the schedules of fleet customers thereby improving customer satisfaction and reducing less efficient alternatives such as withholding units for maintenance. This can be accomplished with existing staff by filling the two vacant mechanic positions with two lead mechanics to supervise mechanics on both shifts.

Recommendation 6. Add a swing or overlapping shift to better accommodate the schedules of fleet customers, improve customer satisfaction and sustain preventive maintenance schedules.

Fleet management does not require fleet customers to fill out a Service Request Form when reporting vehicle and equipment malfunctions. Instead, customers verbally communicate problems with the equipment supervisor. The one exception is Police Department staff who occasionally complete a "Vehicle Condition Report" that was developed by fleet management specifically for the Police Department's use.



A Service Request Form should be an intricate part of any fleet operation for several reasons. It provides written documentation that the fleet customer notified the Fleet Management Section about a vehicle/equipment malfunction on a certain date and time. This form is typically signed by the operator and his/her supervisor. Second, it provides a means to record when the operator can expect the unit to be ready. This is usually projected by the shop's service writer who records an estimate of the time it will take to repair the unit. Data from these request forms can be used to track and monitor various performance measures such as time promised compared with when the unit was actually ready to be released.

Recommendation 7. Develop a Service Request Form and require all fleet customers to submit one when turning in their vehicle or equipment for repair.

Fleet management should be reviewing its unscheduled repairs to identify trends such as brakes, cooling, charging, failures and the reason for the failures. These are the first steps in determining the appropriate action to prevent a reoccurrence of the failures and diagnose the reasons. Such issues may be caused by a number of factors such as parts failures, improper repair methods, lack of mechanic training, operator misuse and/or not being identified on the preventive maintenance program. For example, using an oil-sampling program for heavy equipment to help determine the optimum intervals to change oil is an important best practice not currently employed by Stockton.

Parts Program

The fleet maintenance parts program is an integral function that supports the maintenance program. Elements of the program include procuring parts, managing and controlling inventory and warehousing. In Stockton, the fleet maintenance parts program is part of the City's larger stores function, which is the responsibility of the Finance Department's Purchasing program. One full-time materials specialist and a part-time materials specialist are responsible for ordering, disbursing and warehousing parts for the city. As mentioned previously, only 80% of the full-time materials specialist's time and 50% of the part-time materials specialist's time is devoted to supporting the fleet's requirements. Both report directly to the City's purchasing agent (in the Finance Department) and not the fleet manager.

The City's ratio of parts personnel to mechanics is 1:21 which is slightly more than twice the industry standard of 1:10. Mechanics have direct access to parts when the materials specialists are not available. This is highly unusual for a fleet operation the size of Stockton's and not an acceptable operational practice. We were told that mechanics experience delays when parts have to be ordered. Both of these conditions may be due in part because there are not enough parts personnel to support the needs of mechanics.

Since the majority of stores work is devoted to supporting the fleet operation we believe that the Fleet Management Section should assume the responsibility for the fleet parts function. Furthermore, two full-time materials specialists should be devoted to the Parts Program.



Recommendation 8. Transfer the fleet parts support function from Purchasing to Fleet Management and staff with two full-time materials specialists.

The parts warehouse is generally well organized and secure. Local vendors are responsible for stocking batteries and tires. All other auto parts are stocked by the materials specialists.

According to data supplied by the Fleet Management Section, the current auto stores inventory value is \$619,346. This represents 169,070 items and 1,563 lines of parts. The parts inventory turnover rate (cost of parts sold divided by average inventory of parts on hand) meets the industry standard for turnover rates.

In FY 2012/13, \$1,202,440 was budgeted for the purchase of fleet parts. When this figure is divided by the number of vehicle equivalent units (VEUs) the result is \$615 per unit which is two to three times higher than the industry standard of \$200 to \$300 per unit. We assume this is due in part because of the higher costs of maintaining an aging fleet, however, fleet management should analyze this further in terms of number of parts and their price.

A physical inventory audit is performed annually by the Finance Department. The parts tracking function is automated with the use of HTE SunGard. However SunGard's Fleet module lacks the capability for mechanics to order parts from stores directly.

Purchasing uses a variety of local vendors to provide fast moving parts to the Fleet Management Section. Management Partners was informed that the City's policy has been to ensure that the parts business is spread over the Stockton business community (as distinguished from contracting with one vendor or a limited number of vendors based on specified prices and quantities). In addition, Management Partners understands that parts are obtained through ongoing purchase orders with vendors who supply the parts. We believe the City could save between \$100,000 and \$120,000 per year by utilizing competitive purchasing contracts with set prices and delivery criteria.

Recommendation 9. Issue a request for proposals and award contract(s) for vendors to provide fleet parts with set prices and delivery criteria. The contract should be for one year with two-year extensions if the supplier satisfactorily meets all conditions.

In August 2010, Stockton issued a request for proposals (RFP) to "Provide On-Site Parts and Inventory Program for the Fleet Section of Public Works." Two proposals were received, one from a local vendor and the other from NAPA, a nationally recognized automotive parts business. A City Selection Committee reviewed the proposals, held interviews and reviewed fee schedules. By a unanimous vote the Selection Committee recommended that both proposals be rejected.

Management Partners reviewed the executive summary and the worksheet used to compare the costs of the in-house operation compared with outsourcing. We believe the City may have



underestimated the total cost of its in-house fleet parts program. Additionally, we find it hard to believe that the City can purchase parts cheaper than NAPA, a nationally recognized supplier of parts with superior buying power. Based on our experience, national parts suppliers can usually purchase parts, on average, between 2% and 5% cheaper than government agencies. More importantly they are able to guarantee parts availability better than local vendors. This translates into keeping mechanics wrenching rather than waiting for parts to be delivered. We believe the City could save between \$60,000 and \$130,000 annually by outsourcing the fleet parts program.

Recommendation 10. Reassess the cost and benefits of using a national parts vendor to provide the City's on-site fleet parts and inventory program.

Commercial Repair Work Program

The Fleet Management Section contracts a number of services including some body and paint repairs, glass replacement and repairs, upholstery work, vehicle towing, transmission overhauls, crane and man lift OSHA inspections, fire apparatus and ladder inspections, auctioning of fleet units, tire servicing and specialized repairs and PM as needed. These are all typical of services that are generally sent to commercial vendors by well-run fleets. In FY 2012/13, the Fleet Management Section budgeted \$771,214 for maintenance and repair work outsourced to commercial vendors. This amounts to about 14.9% of the total fleet management budget (excluding fuel). This is at the top of the industry target range of between 10% and 15%. Fleet management has been forced to send out a good deal of work because of the number of mechanic vacancies that have existed during past several years. Fleet management was in the process of filling several of these vacancies during the time of this study. Doing so should reduce the amount of work that is outsourced.

We were surprised to find that fleet management was not aware of the labor rates that commercial vendors charge for repair work. As part of this study we asked fleet management to research the labor rates for all vendors it deals with on a regular basis. These rates help us to determine the Fleet Management Section's competitiveness by comparing in-house shop labor rates to commercial labor rates. This topic is covered more extensively later in this report.

There are no formal contracts in place with vendors who provide repair work services. As a result, it is unclear whether the City is being charged competitive rates for commercial repairs to its fleet. Furthermore, contracts will typically contain performance measures that guarantee turnaround time and pickup and delivery of fleet units.

Recommendation 11. Issue an RFP and award a contract to provide fleet repair services with local vendors with set prices, delivery criteria and warranties.

The contract should be for one year with two-year extensions if the supplier satisfactorily meets all conditions.

Fuel Program

The Fleet Management Section is responsible for fuel operations. Most of the City vehicle operators fuel their vehicles and equipment at the central fueling site located at the Municipal



Service Center. The site has one 12,000-gallon unleaded fuel tank and one 12,000-gallon diesel tank. Both are underground units. There are two unleaded dispensers and one diesel dispenser, both with two hoses. There is also a 500-gallon propane tank at this location. There is no water, air or windshield self-service equipment available at the Municipal Service Center. Fleet customers can only access these at the shop.

There are various above-the-ground fuel tanks located throughout the City. Municipal Utility Department (MUD) employees obtain their fuel at the Regional Wastewater Control Facility (RWCF), which has two 2,000-gallon fuel tanks (one diesel and one unleaded). The City also has one 6,000-gallon unleaded fuel tank located at Police Department headquarters. Motorcycles require a higher-octane fuel and consequently fuel at commercial gas stations offering this type of fuel using credit cards. The Fire Department has a 2,000-gallon diesel tank and a 1,000-gallon unleaded tank located at Fire Station CO2. In addition there are eleven 500-gallon above-the-ground diesel tanks located at the various fire stations throughout the City.

The Administrative Services Department is responsible for the City's fuel contracts. Ordering fuel for the various locations is the responsibility of the Fleet Management Section. The City obtains "rack pricing" for its fuel purchases and at the time of this report was paying about \$3.309 per gallon for diesel and \$2.9245 per gallon for unleaded fuel. Fleet management marks its fuel up 3% or about \$0.09 per gallon. While this markup is within the industry standard of between \$0.08 and \$0.09 per gallon there does not appear to be any methodology in place to support the calculation. A best practice is to calculate a markup for the City's fueling operation that would enable fleet management to isolate the costs of its fueling program and develop a more accurate markup for charging its customers.

The City has done a good job utilizing alternative fuel vehicles in its fleet. Currently, there are 20 hybrid vehicles in use including Honda Civics, Ford Fusions and Toyota Prius. The City should consider replacing low usage trucks used at the treatment plant with electric vehicles (which is addressed in the utilization memorandum).

Under the City's current fuel program vital fuel data are captured through the GasBoy system. Most customers utilize a pro-key to access fuel. Fuel data is uploaded to a bridge program and then downloaded to the City's HTE SunGard system for tracking and billing purposes. The Gasboy system is an old DOS-based system and is not reliable. As a result the City recently issued an RFP for a new fuel management information system and is currently reviewing proposals submitted by various vendors.

Although most fleet operations track the following measures, the city does not.

- Average fuel consumption (mpg) by vehicle and by class,
- Fuel cost per mile, and
- Average total fuel cost by class.



All are critical elements in measuring a vehicle's performance. The new fuel management system should be able to provide data on these performance measures.

A breakdown of the types of fuel, quantities, costs and average price per gallon is reflected in Table 2 below.

Table 2. Fuel Consumption and Costs for 12 month period (November 2011 to October 2012)

Type	Quantity	Cost	Average Price per Gallon
Unleaded	391,809	\$1,431,965	\$3.65
Diesel	129,737	\$479,500	\$3.70

Fleet management was responsible for dispensing 521,546 gallons of fuel at a total cost of \$1,911,465 during a 12- month period from November 2011 to October 2012. At the time of this report the City was paying \$2.9245 per gallon for unleaded fuel.

Mechanics and Workload

Mechanic staffing levels are not sufficient to support the number and type of units that the Fleet Management Section maintains. Currently, 16.55 FTE fleet management employees are responsible for wrenching. The number of mechanics required for a maintenance and repair operation is primarily driven by the size, condition and composition of the fleet it supports. Because most public fleet operations maintain a wide variety of vehicles and equipment, it is necessary to establish a relative measure that allows for the evaluation and comparison of staffing needs.

As mentioned previously, a process known as vehicle equivalent unit (VEU) calculation is used to equate the level of effort required to maintain dissimilar types of vehicles and equipment to a passenger car, which is given a baseline value of 1.0. This concept was originally developed for use by the United States Air Force's Transportation Bureau to determine necessary staffing levels for fleet management. We have found from working with other public fleets that a VEU of 1.0 is equal to between 12 and 15 annual maintenance labor hours depending on a variety of factors unique to each agency. All other types of vehicles are allocated a value relative to the value of the passenger car. For example, a patrol car requires 2.5 times the annual maintenance and repair of a passenger car, or between 30 and 37.5 hours per year.

Management Partners calculated a VEU for the City's fleet. By assigning a VEU value to every unit in the fleet, we derived a total of 1,954 VEUs. When this total is multiplied by the benchmark annual maintenance requirement of 12 to 15 hours per unit, it equates to between 23,448 and 29,310 annual hours of required maintenance.

As a result, we are able to evaluate the appropriate mechanic staffing level by dividing the range of total required annual maintenance hours (23,448 to 29,310) by the current average annual wrenching hours of a fleet management mechanic, calculated at 1,263 hours based on a



wrenching productivity rate of 59.81%. The result is a total of between 18.5 and 23.2 mechanics. We estimate the staffing demand to be at the high end of the range based on the age, condition and composition of the fleet. With the current productivity rate, these data suggest that the Fleet Management Section is under-staffed by almost seven mechanics.

As noted previously, based on data and discussions with fleet management staff, we estimate the technician's productivity rate to be at about 59.81% based on an average of 2,111 annual hours (2,080 hours plus average overtime of 31.4 hours per mechanic). National government fleet surveys suggest that productive time for average-to-well-managed public sector fleets ranges from 70% to 75%. Some government fleets achieve between 75% and 80%. In the private sector, this number is estimated to be 80% to 85%. If Stockton is able to increase the mechanics' productivity to 75% (1,583.25 annual hours) the required number of mechanics to sustain the current workload would drop to between 14.8 and 18.5 mechanics.

Management Partners believes that fleet management could increase the productivity of its mechanics by reducing the time spent on non-wrenching activities such as obtaining parts, cleaning the shop, etc. Well-run fleet operations utilize lower level, part-time employees to perform these tasks as well as other non-wrenching duties such as shop clean-up. This enables technicians to focus on more productive wrenching hours that can ultimately lower shop labor rates and markups.

Fleet management contracts with an outside tire company to repair most of its tires. The company dispatches a person to the shop on Mondays, Wednesdays and every other Friday to repair, mount and balance tires that need repair. Fleet management is charged \$35.00 per hour for this service.

Management Partners believes this service could be accomplished by several part-time employees or a full-time employee whose responsibilities would also include cleaning the shop, running parts and transporting cars, tasks now performed by mechanics. This would allow mechanics to concentrate on wrenching duties, thus increasing productivity and lowering the shop labor rate.

The Fleet Management Section currently has two vacant mechanic II positions that would typically be responsible for wrenching. Filling these two positions and increasing the productivity of the current mechanics would increase the number of wrenching employees from 16.55 to 18.55 and bring the staffing levels more in line with the recommended levels mentioned above. If the City elects to add a swing shift it should consider filling these two vacant positions with one lead mechanics for each shift. They would be supervised by the supervising mechanic.

Fleet management should begin tracking non-wrenching hours that technicians spend obtaining parts and shuttling units between commercial vendors to determine the number and type of employees required to take on these responsibilities.



Recommendation 12. Fill the two vacant mechanic II positions. If a second shift is implemented, the positions should be filled by lead mechanics.

Recommendation 13. Track and monitor mechanics' non-wrenching hours over a six-month period to determine whether lower level staff could more efficiently perform these duties. Examples include time spent on parts runs, shop cleanup duties, and tire repair.

Recommendation 14. Establish a performance productivity goal for mechanics to spend between 70% and 75% of their time on wrenching activities.

The project manager I position in the Fleet Management Section is responsible for various duties including:

- Preparing specifications, bids and council agenda reports,
- Managing federal and state regulatory programs,
- Investigating and evaluating accident damage,
- Assisting the fleet manager with budget preparation and cost analysis, and
- Preparing, reviewing and maintaining a wide variety of written and computerized reports and records.

Most of these duties are typically the responsibility of a fleet manager. Consequently, following the full implementation of a new Fleet Management Information system, Management Partners believes this position should be re-evaluated with respect to the most effective assignment of these duties and responsibilities. The position could either be eliminated and some of the duties reassigned to Public Works Department administrative staff (i.e., the safety and training officer) or at a minimum re-evaluated to ensure value added roles and responsibilities are assigned to the position.

Recommendation 15. Re-evaluate the Project Manager I position following the implementation of a new Fleet Management Information system to ensure the duties and responsibilities are commensurate with the position. Determine what duties can be assumed by Public Works Department administrative staff and those that might be assumed by the fleet manager.

A newly created full-time position, office assistant I, is filled by two part-time employees. They primarily assist the supervising mechanic in greeting customers, posting work order data and other clerical-type duties. We believe that when the new fleet management information system is acquired, mechanics will be responsible for opening and closing their work orders on laptops or tablets located on the shop floor. The other duties can be assumed by the two clerical positions that currently exist in the shop administrative offices.

Recommendation 16. Eliminate the two part-time office assistant I positions when the new fleet management information system is acquired.



Fleet Management Policies and Procedures

Replacement Program

The City has a fleet replacement plan that projects future costs of replacing vehicles and equipment over a 10-year period. The purpose of the plan is to identify long-term spending needs and associated budgetary requirements. The City has an internal service fund which sets aside funds from rental fees that fleet customers contribute through a monthly rental charge. The exception is MUD who does not pay a replacement rental charge but budgets for its own vehicles and equipment.

Some of the average life cycle criteria used in the replacement projections do not reflect cycles found in other municipalities. Typically, public agencies establish replacement criteria that take into consideration years in service as well as miles and/or hours driven. This is not the case in Stockton, where replacement criteria is based primarily on years in service. As a result the City may be keeping certain fleet units beyond their optimal life cycle and as a consequence, may be spending more money on repairs and experiencing more time out of service.

Management Partners applied best practice replacement criteria for vehicles of various classes and types to develop recommended replacement intervals for Stockton. Table 3 compares current and recommended replacement intervals, where applicable, for each class of vehicle and equipment class, or groups of vehicles that share a common use.

Table 3. *Current and Recommended Vehicle and Equipment Replacement Intervals*

Vehicle/Equipment Type	Current Replacement Intervals		Recommended Replacement Intervals	
	Years	Miles/Hours of Use	Years	Miles/Hours of Use
Sedans	8.5	n/a	10	100,000 miles
Police Patrol Units	6	n/a	4	100,000 miles
Light Duty Pickup Trucks	7.8 to 12	n/a	10	100,000 miles
Medium/Heavy Duty Trucks ¹	15 to 18	n/a	12	80,000 miles
Heavy Equipment	18	n/a	8-15	5,000 to 6,000 hours
Trailers	15	n/a	15	n/a

¹ Non-diesel vehicles

Recommendation 17. Adopt a formal methodology and criteria for the replacement of vehicles and equipment.

According to the Public Works Department, the City's fleet has a replacement backlog of 172 units that are past their useful life at an estimated cost of \$8.5 million. This represents 17% of the fleet and exceeds our benchmark of less than 10%. Based on our analysis of the average life cycle criteria used by fleet management this backlog may be even higher.

In addition to acquiring fleet units through the state bid process, fleet management routinely purchases used sedans, pickups and vans from rental car agencies and dealerships. This



practice can certainly make economic sense when the need arises to purchase vehicles that are not intended to be used extensively. However, we have seen evidence that the City has purchased a number of older units with extremely high mileage ranging from 30,000 to 97,000 miles over the past 12 years. This is not a good practice, especially if there are no warranties in place. The City should establish maximum criteria for purchasing used vehicles, e.g., maximum two years, 15,000 miles. Vehicles under two years and with this mileage usually have time left on their warranties.

The City currently leases one fire tiller truck and will shortly be taking delivery of one of four other leased fire pumpers. In recent years, leasing as well as borrowing funds have become a common theme for many government agencies in order to replace fire apparatus as well as other high-cost pieces of equipment due to the lack of available funds. The City may want to explore the benefits of financing vehicle and equipment purchases through leasing or low interest loans to improve fleet replacement timing.

We examined the methodology used to compute the replacement costs and found that while it correctly computed the current cost of a unit and included a yearly inflation rate, it failed to subtract the auction and make-ready fees and credit the salvage value earned at auction. This results in the fleet customer having to pay a higher yearly replacement cost. We were informed by finance management that salvage income is credited back to the fund but not applied to each class or individual unit. The fund balance earns interest that is also credited to the fund.

Recommendation 18. Reformulate the vehicle replacement cost to include expenses for make ready costs and auction fees and credit the proper salvage value to each vehicle.

The City's replacement plan uses a methodology that averages the number of units to be replaced by class. The result is that 78 units will be replaced every year over a 10-year period. The estimated annual cost to replace these units is relatively constant except for an inflationary factor of 3% that is applied annually. This methodology is good in terms of flattening out future expenditures and avoiding the peaks and valleys that might otherwise occur. However, it does not take into account that there may be a requirement to replace more than 78 units in any given year at a greater cost than what was budgeted. This is especially true when groups of vehicles and equipment are ordered and replaced in a particular year and show up again, years later, as another large expenditure.

A better method is to develop a long- range plan that reflects the actual replacement costs of each fleet unit over a 15 to 20 year period and then develop a means to finance the expenditures each year. Having fleet customers contribute to a dedicated internal service fund that accumulates funds for future replacements would be ideal but not practical giving the City's current financial state. Nevertheless, at the very least, fleet management should plot the expected replacement year and corresponding cost for each vehicle and piece of equipment in the fleet to calculate the total replacement cost requirements in any given year over a 15 to 20



year span. From this, replacement rates can be computed for individual units, eliminating the cross subsidizing of units that currently exists.

Recommendation 19. Develop a long-range replacement planning and funding strategy for the entire fleet over a 15 to 20 year period.

Vehicles and equipment owned by MUD, totaling 93 units, are not charged a replacement fee because they fund their own replacements. MUD, rather than fleet management, has the final say in determining when to replace their units. In many cases the decision to retain a fleet unit beyond its optimal replacement point does not rest with fleet management but hinges on whether or not MUD, as well as other City departments, wants to budget for it.

Agencies that elect to budget for their fleet replacements may find that utilizing cash from ad hoc budget appropriations can be risky. Often a piece of equipment must compete with other requests for equipment and/or capital projects during the budget process. Consequently, organizations that try to use this method to finance their fleet replacement program may find themselves with older and less reliable fleets if the money is not appropriated as planned.

There are currently 118 vehicles and equipment in the corporation yard waiting to be auctioned. These units have been sitting around for months because the City does not have a contract in place with a fleet auctioneer. The estimated value of these units is \$165,000. (Management Partners has made fleet management aware of a new auctioneer in Stockton that was interested in auctioning these units at no cost to the City.)

Recommendation 20. Take steps immediately to dispose of the 118 vehicles and equipment currently in the corporation yard.

Vehicle Replacement

When it is time to replace a vehicle or piece of equipment most public agencies typically rely on age, mileage, hours of operation, condition or a combination of one or more of these criteria. However, other elements can also play a significant role in determining whether vehicles require replacement. These include quality of the preventive maintenance program, safety, fuel usage, driver skills (or lack of), components used, parts availability and new technology.

Many fleet agencies use a weighted point system that takes into account a variety of factors to help establish potential candidates for replacement. This “replacement scoring system” typically applies to light-duty vehicles and takes into account a unit’s age, mileage, maintenance and repair costs, overall condition, reliability and downtime. Points are assigned to each set of criteria as illustrated below.

- *Age.* One point for each year of chronological age, based on in-service date.
- *Miles/Hours.* One point for each 10,000 miles or 750 hours of service.
- *Maintenance/Repair Costs.* One to five points based on total life-to-date maintenance and repair costs (not including accident damage repairs) as a percentage of the vehicle’s original purchase price. For example, a vehicle whose total maintenance and repair costs



equal the unit's original purchase price would receive a score of 5 while a unit whose maintenance and repair costs equal 20% of the vehicle's original purchase price would receive a score of 1.

- *Condition.* This category takes into account a unit's body condition, interior condition, accident history, rust, and anticipated repairs. A five-point scale is used with 5 being poor condition.
- *Reliability.* Operators assigned to the vehicle are typically asked to assess the reliability of the various components, systems and equipment of each vehicle. A five-point scale is used with 1 being excellent and 5 being poor. Another means to measure reliability is to assign one, three, or five points depending on the frequency the unit is in for repair. A rating of 5 would be assigned to a vehicle that is in the shop two or more times per month on average, while 1 point would be assigned to a vehicle in the shop an average of once every three months or less.
- *Downtime.* Typically this category would take into consideration the amount of time that a unit is out of service. A five-point scale is used with 5 indicating excessive downtime (20% or more) and a score of 1 indicating little downtime (6% or less). In cases where downtime is not tracked the average number of repair work orders per month for each unit can be substituted. Those units with two or more work orders per month would be assigned a score of 5 while units with less than 1 work order per month would be assigned a score of 1.

Points for all six criteria are then totaled for each unit and compared with the point ranges found in Table 4 below.

Table 4. Scoring System for Evaluating Vehicle Condition and Replacement Need

Point Range	Condition
Under 18 points	Excellent condition
18 to 22 points	Good condition
23 to 27 points	Qualifies for replacement
28 or more points	Needs immediate consideration for replacement

Recommendation 21. Adopt a methodology to support the replacement of vehicles and equipment based on the "optimum economic life point" of a unit.

Chargeback Rates

The purpose of a charge-back rate system is to recover the ownership and operational costs of city vehicles and equipment. A properly designed charge-back rate system should recoup and differentiate among the actual costs of goods and services such as maintenance and repair, fuel, and parts and commercial repair work services provided by the fleet organization. The chargeback system should promote the equitable treatment of fleet customers based on the concept that they should pay only for the resources they consume with no cross-subsidization of fleet costs and no subsidies from the general fund.



The Fleet Management Section does not utilize a chargeback rate system. Instead, fleet customers are provided with the total annual funds they need to budget for operations and maintenance (O&M) and vehicles scheduled for replacement. These funds are reflected in each department's line item account number 2041-Automotive Equipment Rental. When added together the funds are designed to offset the Fleet Management budget (minus fuel costs). Each month one-twelfth of this budgeted amount is debited from each department's 2041 account.

Instead of separating the maintenance portion of the department's revenues from the replacement revenues, both are placed in the same Internal Service Fund-501. Consequently, funds are co-mingled and at the end of the year if the expenditures exceed revenues, money from the general fund is transferred to make up the difference. Typically, surplus funds are carried over into the next fiscal year.

Each year fleet management develops a single rental charge for each vehicle class. The rental charge consists of an O&M fee, an overhead fee and a replacement fee. The O&M rental fee is developed by computing the actual prior year (FY 2010/11) labor, parts and commercial repair work costs of all units in a class. These class costs are then inflated by 6%. The overhead fee is then computed by taking one-half of the O&M costs and adding it to the O&M rate. We were unable to obtain an explanation or the rationale for using this formula to compute overhead.

Fleet management uses a vehicle and equipment replacement projection worksheet to compute the annual replacement fee portion of the rental rate. Replacement costs are determined by taking the current estimated cost of a vehicle or piece of equipment and multiplying it by the number of units in the class to arrive at a total value of all units. This total value is then divided by the average life expectancy of all units in the class to arrive at the total annual funds required to replace an average number of units in the coming year.

The replacement rates are then added to the O&M and overhead rates to determine the total rental rate to be applied to each unit in the class. The total rental rates are then inflated by 16%. Again, the rationale behind the inflation factor was not able to be explained. The total rental rate for each unit in the class is then multiplied by the number of units in that class that are contained in each fleet customer's fleet and placed in each departmental budget.

During the City's annual budget preparation departments are not provided with a breakdown of how fleet management develops the rental fees for each unit. Consequently, they are not aware of the ownership and operational costs of each of their fleet units.

Fuel costs are not part of the rental rate but are billed directly to each fleet customer's 3053 Fuels-Gas/Oil/Propane account based on actual costs plus a markup of 3%. There appears to be no methodology in place to support the 3% markup.

There are three full-time facility maintenance workers and seven part-time program specialists that are budgeted in the Fleet Management Section. More than 90% of their time is spent



shuttling, fueling and performing minor maintenance to Police Department vehicles. The labor costs involved in providing these services amount to almost \$265,000 per year or about \$755 per unit. The Police Department is apparently not being charged directly for these services. As a consequence the rest of the City's fleet customers are, for the most part, subsidizing the costs of these services provided to the Police Department. When Recommendation 21 below is implemented, the City should examine this service and determine how fleet management can recover these costs in the future.

Fleet management's budget is also impacted by the hours that the welder/fabricator specialist and auto painter repair worker spend performing non-fleet work for City departments. Examples include fabricating bollards for bike trails, light pole repair fabrication and painting figures on the merry-go-around ride at Pixie Woods. Fleet management estimates that they spend about 30% and 15%, respectively, on these non-fleet functions. We were informed that they are given account codes to bill against, however, we did not see any revenue credited back to the fleet management budget.

The City's budgetary process related to fleet costs does not encourage fleet customers to modify their behavior in terms of minimizing fleet size and influencing efficiency in the vehicle support system. When costs are identified and visible to the customer department, the customer tends to economize. And when customers are not held accountable, overall fleet costs rise and customer responsibility and care for equipment tends to lessen.

Public agencies utilize various chargeback structures to recoup their fleet costs. One structure we have found useful in controlling fleet size and has proven successful for other fleet operations is a three-tiered system that incorporates: 1) a monthly flat fee that recoups the replacement costs over the life of the unit; 2) a standing or flat fee that captures the administrative overhead cost of the unit; and 3) a direct charge or cost per mile rate that recovers the operational costs of the unit (costs associated with fuel, tires, maintenance and repair).

Recommendation 22. Develop a comprehensive and accountable chargeback system that incorporates fleet replacement, overhead and all operational costs.

Shop Labor Rate and Markups

Fleet management charges a \$75.00/hour labor rate that charges to work orders. Fleet management does not have separate labor rates for the various skilled and semi-skilled staff. Furthermore, there are no markups applied to parts or commercial repair work. (Although as previously mentioned, a markup of 3% is applied to fuel.) There appears to be no methodology in place to support how the shop labor rate and fuel markup are computed.

Management Partners performed an activity-based cost analysis of the City's fleet management operation. Its purpose was to identify all fleet-related labor and overhead costs associated with each of the major functions: administration/asset management, maintenance/repair, fuel, parts, and commercial repair work. In addition to normal fleet functions we computed an hourly rate



for painting and motorcycle repairs and a per unit charge for shuttling, fueling and minor maintenance for police vehicles. This analysis enabled us to calculate a burdened shop labor rate and markups and charges for each of the functional areas. Our analysis concluded that in fact, the City's shop labor rate is vastly understated when compared to the labor rate we calculated at \$148.36/hour.

Fleet management places a great deal of emphasis on documenting "billable" hours. While important, fleet management has lost sight of the importance of tracking time that mechanics spend on different fleet functions. First, fleet management's method of computing productive hours of 85% is inflated and creates an unrealistic shop labor rate. This is due to a practice of treating a high percentage of indirect time ("non-wrenching time") as direct time in an effort to attain as many "billable hours" as possible.

For example, paid work breaks of one-half hour per day for each billable position is included as productive time. This increases the number of billable hours in the labor rate calculation by just over 110 hours per year per mechanic, which results in a labor rate that is about \$12.00 per hour lower than it would be otherwise. Treating non-productive time as billable creates a false picture of fleet service's competitiveness and productivity. We recommend that this practice be discontinued. At the same time, indirect time such as safety and training, cleanup, repairing shop equipment and waiting for assignment is not being tracked for each mechanic.

Additionally, many hours that mechanics spend on other non-wrenching work such as parts runs and delivering and picking up units from commercial repair shops are not tracked separately but are rolled into direct or "billable hours." These non-wrenching tasks need to be tracked more accurately and not counted as billable hours. Further, these hours need to be allocated to the primary functions of the fleet operation (parts, maintenance/repair, fueling, administration/asset management, car wash and commercial repair work) along with overhead costs to determine the "total" cost of each function. From this, proper markups and charges can be computed and benchmarked against local markets and industry standards.

Recommendation 23. Track wrenching and non-wrenching time for all fleet staff that perform maintenance and repair work.

In calculating a fully burdened shop labor rate it was necessary to estimate some of the indirect and direct hours of fleet staff due to the lack of available data. For example, the average wrenching hours we computed for all technicians was 59.81%. This was based on estimates and conversations with fleet staff. This is quite different from the 85% rate that fleet management believes its mechanics are performing. Among other things this disparity in wrenching hours can greatly affect the shop labor rate which we calculated at \$148.36 per hour (fully burdened). This is almost double the City's current rate of \$ 75.00 and is not competitive with the local dealerships and independent repair shops that the city currently does business with as shown in Table 5.



Table 5. Fleet Management Fully Burdened Shop Labor Rate Comparison with Management Partners' Calculated Rate and Local Dealership/Independent Repair Shop Rates

Fleet Function	Current City Shop Labor Rate	Management Partners Calculation of City's Shop Labor Rate	Local Market Shop Labor Rates	City's Shop Labor Rate With Management Partners' Recommendations
Fully Burdened Shop Labor Rate¹	\$75.00/hr.	\$148.36/hr.	\$70 to \$125/hr.	\$111.89/hr.

¹ Fully burdened rate assumes that all shop overhead will be recouped in the shop labor rate and that the cost of parts, commercial repair work and fuel are recouped through a direct charge with no markups.

Fleet management appears to be unaware of the labor rates that local repair shops were charging to perform work outsourced by the City. It is critical that fleet management fully understand its costs relative to the local marketplace to determine the most economical means of accomplishing repair work and other services delivery options.

The City should be able to reduce the shop labor rate that Management Partners computed by following some of the staffing recommendations in this memorandum. This includes filling some of the vacancies discussed earlier and increasing the mechanics' productivity. Doing so will increase the number of wrenching hours and lower the shop rate considerably. As part of the activity-based analysis we developed a burdened shop labor rate along with markups and charges associated with the following functions: administration/asset management, fuel, parts, and commercial repair work. This allows us to benchmark the markups and charges with local market and industry standards. Parts charged to work orders are not marked up. However, based on our activity-based costs analysis we computed a markup of 24.96%. This is at the low end of the industry average of between 25% and 35%. However, we believe that this markup could be much higher if stores were to be properly staffed.

Fleet management also does not markup repair work sent to outside vendors. We calculated a commercial repair work markup of 18.99% that is higher than the industry average of between 10% and 15%. This is due in part to the large amount of work being outsourced and the fact that higher prices are being paid for work without contracts in place.

The fuel markup was computed at 3.14%. This is slightly higher than fleet management currently charges (3%), but is within industry standards. The City should consider whether to include the depreciated costs of the new fuel management system being considered as part of the fuel markup.

Fleet management does not charge an administration and asset management fee. Such a fee would reflect the salaries and benefits of those who manage and support the operation and its assets as well as overhead. This includes support from Public Works, Finance, the Auditor's Office, the City Manager's Office, Administrative Services and Purchasing. Management



Partners computed a high-level analysis which found such a fee would be about \$458 per year. This is higher than the industry norm of \$350 per year.

Table 6 illustrates what the burdened shop labor rate would be if all markups and charges were in place for parts, commercial repair work, fuel and administrative/asset management and compares these with local market rates.



Table 6. Fleet Management Burdened Rate Comparison with Management Partners' Calculated Rates and Market Rates

Fleet Functions	Current City Shop Labor Rate	Management Partners Calculation of City's Shop Labor Rate	Local Market Shop Labor Rates	Fleet Industry Markup Standards	City's Shop Labor Rate With Management Partners Recommendations
Burdened Shop Labor Rate¹	\$75.00/hr.	\$104.21/hr.	\$70-\$125/hr.	N/A	\$83.50/hr.
Parts Markup	N/A	24.96%	Unknown	25-35%	24.60%
Commercial Repair Work Markup	N/A	18.99%	Unknown	10-15%	20.60%
Administration/Asset Management Charge	N/A	\$458/unit	Unknown	\$350/unit	\$355/unit
Fuel Markup	\$0.105/gal.	\$0.095/gal.	N/A	\$.08 to \$.10/gal.	\$0.083/gal.

¹Burdened rate calculation assumes that shop overhead will be recouped through a combination of a shop labor rate and applying markups and charges to parts, commercial repair work, fuel and administrative/asset management overhead.

Recommendation 24. Develop shop labor rates and markups/charges by appropriately allocating labor and overhead costs that include the functions of administration/asset management, maintenance/repair, fuel, parts and commercial repair work.

In addition to the normal fleet functions we performed an activity-based calculation on fleet management's painting, motorcycle and police servicing activities.

Painting Function

The Fleet Management Section operates a small paint shop which is currently staffed by one full-time auto painter repair worker. His primary duties include body and paint work, however, he spends about 15% of his time doing non-fleet painting for other City departments and 28% doing maintenance and repair work (wrenching) according to estimates supplied to us by fleet management. Large paint jobs are typically contracted to local paint and body shops.

In the activity based cost analysis that Management Partners performed, as addressed earlier in this memorandum, we isolated fleet management's painting function and calculated a fully burdened labor rate for the auto painter repair worker at \$84.98 per hour. This rate is not competitive with local paint and body shops that charge between \$30 and \$70 per hour. This, coupled with the fact that the painter is spending less than half of his time on fleet-related paint work, leads us to believe that the painting function should be eliminated and contracted to local auto body paint shops. We estimate that the City would save between \$10,000 and \$20,000 annually.

Recommendation 25. Eliminate the auto painter repair worker position and contract all fleet-related paint and bodywork.



Motorcycle Repair Function

The police motorcycle repair function is primarily the responsibility of two mechanics that together spend only about 40% of their time maintaining 35 motorcycles. We computed their fully burdened labor rate at \$70.96/hour which is competitive with the local motorcycle dealerships that charge \$105/hr.

Customer Feedback and Service Level Agreements

The Fleet Management Section regularly administers customer surveys to obtain feedback about the services they provide. This is a best practice. Management Partners reviewed the results of the last survey that was conducted in FY 2010/11. A total of 47 people responded to the survey. They were instructed to rate twelve areas of the fleet maintenance operation using the following criteria: excellent, good, fair, poor and not applicable (n/a). The majority of respondents rated all areas as “good.” When asked if they were satisfied with the overall performance of fleet management 34% strongly agreed, 38.3% somewhat agreed, 12.8% somewhat agreed and 12.8% strongly disagreed.

In reviewing the comments from respondents, many complained about the turnaround time for preventative maintenance and repairs. Better communication between fleet management and customers was another area that respondents thought could be improved. Most respondents seemed to be sympathetic to the fact that fleet management was understaffed.

One of the key elements missing from Stockton’s fleet program is written service level agreements. Service level agreements should be developed between fleet management and each of its largest customers. These formal agreements should be customized for each department. They should outline the services to be provided as well as the charges and responsibilities of both parties. Performance standards should be included in each agreement as well as reporting requirements.

Recommendation 26. Develop service level agreements between the Fleet Management Section and each of its customers.

Management Reports

As mentioned previously, fleet management currently uses the HTE SunGard Fleet Module. It is part of the City’s broader HTE SunGard software system. The system was acquired over 15 years ago. There are two workstations in the light duty shop and two in the heavy-duty shop that mechanics share. The fleet management office has seven workstations and the stores office has four workstations.

Only two reports are generated from the fleet module. One is an operations report that is prepared monthly and sent to Public Works Department management for review. It summarizes the monthly shop activities including such things as the number of preventative maintenance inspections (PMI’s), work orders and mandated biennial inspection of terminals (BIT). Additionally, it briefly describes the activities that fleet management is working on such as the status of vehicles and equipment being ordered and those units being prepared to be put



into service. Also addressed in the report are the status of the annual work plan and any areas of concern or issues that fleet is facing. The only other report generated is an annual inventory of vehicles and equipment, shop equipment, tools, etc.

Management should be kept aware of certain fleet activities to properly assess the fleet operation. Typical reports should, at a minimum, address the following activities:

- Number of repeat repairs,
- Percentage of preventative maintenance work completed compared with those that were scheduled,
- Fleet availability rate,
- Operational costs vs. budgeted costs, and
- Shop productivity (percent of wrenching hours).

Customers do not receive any reports such as the status of vehicles at the shop, the time and reason(s) the unit has been out-of-service, and the anticipated time that repairs will be completed. Further, they are not made aware of the maintenance and repair costs of each of their units. Fleet management maintains a website but it has not been upgraded for some time.

As referenced in the recent Fleet Utilization and Management Audit issued by the City Auditor's Office in September 2012 "data in the fleet module contains errors including incorrect vehicle status, vehicle identification numbers, odometer readings, staff assignments, dates, equipment location and other missing information." We also found this to be true while examining data requested from fleet management. For example, when we requested information about the use of pool vehicles that the Fleet Management Section checks out to customers, we were given copies of the Pool Equipment Report.

The report listed the name of the individual who checked out the vehicle along with the date and time it was checked out and returned and the beginning and ending odometer readings. However it did not compute the hours used or the miles traveled even though it contained fields to address these totals. Destinations were another element missing from this report. This type of data is critical in analyzing the use of pool vehicles and determining how many units that fleet management normally needs to be available.

Recommendation 27. Customize monthly reports and develop an annual report for each client department.

Recommendation 28. Develop routine management reports for Public Works Department management and the City Manager.

Performance Measurement

Performance measurement is the process of identifying indicators that demonstrate an organization's efficiency and effectiveness in delivering a program or service. A performance measurement system relies on regular data collection and analysis to assess program



performance. It is a tool to identify successes and needed improvements, as well as gauge customer satisfaction.

Metrics are how progress towards meeting organizational priorities and strategic objectives is assessed. It is a way of asking, “Did our efforts and expenditures make a difference? And, did they deliver the desired and anticipated results?” Metrics can also help answer the question, “How are we doing?” not just, “What are we doing?”

Tracking key indicators and analyzing where performance is and is not meeting objectives are the foundations of process improvement. The regular analysis of performance measurement information enables managers to make informed decisions about changes needed and progress in meeting objectives. Best management practices include the use of metrics in:

- Making resource allocation decisions,
- Evaluating service effectiveness (quality and efficiency),
- Assessing and improving customer satisfaction,
- Focusing on and increasing accountability,
- Identifying emerging issues and problems,
- Tracking positive or negative trends,
- Serving as the basis for policy and practice changes,
- Comparing and benchmarking with other agencies, and
- Educating, informing and communicating improvements and successes.

Understanding that budget allocations should be tied to policy goals and objectives is critical for any government agency, especially in the face of constrained revenues which are not likely to change in the mid- or even long-term. Therefore, whether or not a formal performance budgeting system is instituted, performance measures provide department and management staff with important operating information. Performance measures enable staff to develop solid budget justifications, either by demonstrating program effectiveness or demonstrating a gap between needs and service levels. This, in turn, ensures that short-term resource allocation decisions are consistent with long-term goals and objectives.

There is no evidence that fleet management has established or is using performance measures to evaluate its fleet operation. It does a good job of tracking labor hours, parts costs and fuel consumption. However, these input and output indicators, while important components of the efficiency equation, fall short of effectively measuring the efficiency and effectiveness of the City’s fleet operation.

Some examples of critical performance measures not being tracked include:

- Standards for measuring a mechanic’s performance for preventive maintenance services or for various repair tasks.
- Vehicle and equipment downtime.
- Types of repeat repairs.



- Vehicle-hours (or days) lost waiting for parts.

Recommendation 29. Establish performance measures and monitor them with the goal of measuring performance against industry and shop standards. See Attachment C for examples.

Conclusion

Stockton's Fleet Management Section provides a variety of fleet services that are critical to the operation of the City's vehicles and equipment. Successfully achieving the goals for this section of the Public Works Department requires well-planned service delivery and outstanding customer service. Implementing the recommendations in this report will increase efficiency and effectiveness and enhance customer service.



Attachment A – Recommendations

Recommendation 1. Establish operational and performance expectations for the fleet manager to ensure the position clearly understands department and citywide business goals and objectives for the fleet management function.

Recommendation 2. Establish a Vehicle and Equipment Committee whose main task is to develop comprehensive administrative policies for vehicles and equipment. Obtain samples of fleet policies and procedures from other municipalities to assist in developing appropriate policies for Stockton. (Appendix 1 provides one such example.)

Recommendation 3. Redesign the garage facility to support better workflow and provide supervision oversight.

Recommendation 4. Organize the preventive maintenance workload for the entire year and notify fleet customers one month in advance of their PM appointment with a follow up e-mail reminder one week prior to appointment.

Recommendation 5. Redesign PM checklists to reflect appropriate (manufacturer) inspections and intervals applicable to various classes of vehicles and equipment. Include an optional time standard interval for scheduling PM inspections for those fleet units that do not meet minimum mileage or hour criteria.

Recommendation 6. Add a swing or overlapping shift to better accommodate the schedules of fleet customers, improve customer satisfaction and sustain preventive maintenance schedules.

Recommendation 7. Develop a Service Request Form and require all fleet customers to submit one when turning in their vehicle or equipment for repair.

Recommendation 8. Transfer the fleet parts support function from Purchasing to Fleet Management and staff with two full-time materials specialists.

Recommendation 9. Issue a request for proposals and award contract(s) for vendors to provide fleet parts with set prices and delivery criteria. The contract should be for one year with two-year extensions if the supplier satisfactorily meets all conditions.

Recommendation 10. Reassess the cost and benefits of using a national parts vendor to provide the City's on-site fleet parts and inventory program.

Recommendation 11. Issue an RFP and award a contract to provide fleet repair services with local vendors with set prices, delivery criteria and warranties. The contract should be for one year with two-year extensions if the supplier satisfactorily meets all conditions.

Recommendation 12. Fill the two vacant mechanic II positions. If a second shift is implemented, the positions should be filled by lead mechanics.

Recommendation 13. Track and monitor mechanics' non-wrenching hours over a six-month period to determine whether lower level staff could more efficiently perform these duties. Examples include time spent on parts runs, shop cleanup duties, and tire repair.

Recommendation 14. Establish a performance productivity goal for mechanics to spend between 70% and 75% of their time on wrenching activities.



Recommendation 15. Re-evaluate the Project Manager I position following the implementation of a new Fleet Management Information system to ensure the duties and responsibilities are commensurate with the position. Determine what duties can be assumed by Public Works Department administrative staff and those that might be assumed by the fleet manager.

Recommendation 16. Eliminate the two part-time office assistant I positions when the new fleet management information system is acquired.

Recommendation 17. Adopt a formal methodology and criteria for the replacement of vehicles and equipment.

Recommendation 18. Reformulate the vehicle replacement cost to include expenses for make ready costs and auction fees and credit the proper salvage value to each vehicle.

Recommendation 19. Develop a long-range replacement planning and funding strategy for the entire fleet over a 15 to 20 year period.

Recommendation 20. Take steps immediately to dispose of the 118 vehicles and equipment currently in the corporation yard.

Recommendation 21. Adopt a methodology to support the replacement of vehicles and equipment based on the "optimum economic life point" of a unit.

Recommendation 22. Develop a comprehensive and accountable chargeback system that incorporates fleet replacement, overhead and all operational costs.

Recommendation 23. Track wrenching and non-wrenching time for all fleet staff that perform maintenance and repair work.

Recommendation 24. Develop shop labor rates and markups/charges by appropriately allocating labor and overhead costs that include the functions of administration/asset management, maintenance/repair, fuel, parts and commercial repair work.

Recommendation 25. Eliminate the auto painter repair worker position and contract all fleet-related paint and bodywork.

Recommendation 26. Develop service level agreements between the Fleet Management Section and each of its customers.

Recommendation 27. Customize monthly reports and develop an annual report for each client department.

Recommendation 28. Develop routine management reports for Public Works Department management and the City Manager.

Recommendation 29. Establish performance measures and monitor them with the goal of measuring performance against industry and shop standards. See Attachment C for examples.



Attachment B – Cost Impacts from Report Recommendations

Cost Category	Fleet Management Annual Operating Resources / Costs						One-time Costs/Revenue	Total Cost / Impact
	Current Fleet		Recommended Fleet		Change			
	FTEs	ANNUAL \$	FTEs	ANNUAL \$	FTEs	ANNUAL \$		
FLEET OPERATIONS								
Staffing								
Management/Supervision	2.00	\$221,597	2.00	\$221,597	0.00	\$0		\$0
Lead Mechanics ¹	0.00	\$0	2.00	\$187,402	2.00	\$187,402		\$187,402
Equipment Mechanics	17.00	\$1,440,040	15.00	\$1,252,638	-2.00	(\$187,402)		(\$187,402)
Welder/Fabricator Specialist	1.00	\$99,979	1.00	\$99,979	0.00	\$0		\$0
Auto Painter Repair Worker	1.00	\$93,714	0.00	\$0	-1.00	(\$93,714)		(\$93,714)
Project Manager I ²	1.00	\$99,281	0.00	\$0	-1.00	(\$99,281)		(\$99,281)
Facility Maintenance Workers	3.00	\$186,285	3.00	\$186,285	0.00	\$0		\$0
Program Specialists-PT ³	3.50	\$112,602	5.50	\$156,244	2.00	\$43,642		\$43,642
Office Specialist	1.00	\$77,992	1.00	\$77,992	0.00	\$0		\$0
Office Assistant I	1.00	\$62,220	1.00	\$62,220	0.00	\$0		\$0
Office Assistant I (PT)	1.00	N/A	0.00	N/A	-1.00	N/A		N/A
Materials Specialist ⁴	0.00	\$0	2.00	\$121,322	2.00	\$121,322		\$121,322
Fleet Support –Purchasing, PW, Other City Departments								
Purchasing Agent ⁴	0.30	\$37,107	0.00	\$0	-0.30	(\$37,107)		(\$37,107)
Materials Specialists ⁴	1.30	\$68,845	0.00	\$0	-1.30	(\$68,845)		(\$68,845)
PW, Other City Departments	1.24	\$134,561	1.24	\$134,561	0.00	\$0		\$0
Sub-Total	34.34	\$2,634,223	33.74	\$2,500,240	-0.60	(\$133,983)		(\$133,983)
Service & Supplies								
Parts ⁵		\$1,202,440		\$1,082,196		(\$120,244)		(\$120,244)
Commercial Repair Work ⁶		\$771,214		\$538,494		(\$232,719)		(\$232,719)
Shop Overhead (est.)		\$227,304		\$227,304		\$0		\$0
Sub-Total		\$2,200,958		\$1,847,994		(\$352,963)		(\$352,963)
TOTAL MANAGEMENT & OPERATIONS SAVINGS	34.34	\$4,835,181	33.74	\$4,348,234	-0.60	(\$486,947)		(\$486,947)
UTILIZATION SAVINGS AND COST AVOIDANCE								
Operational Savings from Disposal of 39 Units				(\$160,890)		(\$160,890)		(\$160,890)
Replacement Cost Avoidance ⁷				(\$95,680)		(\$95,680)		(\$95,680)

Cost Category	Fleet Management Annual Operating Resources / Costs						One-time Costs/Revenue	Total Cost / Impact
	Current Fleet		Recommended Fleet		Change			
	FTEs	ANNUAL \$	FTEs	ANNUAL \$	FTEs	ANNUAL \$		
One-time Income from Disposal of 39 Units							(\$66,050)	(\$66,050)
One-time income from disposal of 118 units ⁸							(\$165,000)	(\$165,000)
TOTAL UTILIZATION SAVINGS & COSTS AVOIDANCE				(\$256,570)		(\$256,570)	(\$231,050)	(\$487,620)
TOTAL SAVINGS	34.34	\$4,835,181	33.74	\$4,091,664	-0.60	(\$743,517)	(\$231,050)	(\$974,567)

¹ Assumes addition of swing shift. It is also possible that a Lead Mechanic may be paid about 10% more than a regular Equipment Mechanic, but the costs were not adjusted to reflect this.

² Elimination of this position is proposed as part of the savings, but should finally be determined following implementation of a new Fleet Management Information system and an evaluation of roles and responsibilities at that time.

³ Assumes adding 4 part time Program Specialists to perform parts runs, tire repairs, transporting units to commercial vendors and cleanup tasks that Mechanics currently perform.

⁴ Assumes transferring parts function from Purchasing to Fleet Management and increasing Materials Specialists from 1.3 FTE's to 2.0 FTE's.

⁵ Assumes contracts developed with local vendors.

⁶ Assumes less reliability on commercial vendors to perform maintenance due to filling of vacant mechanic positions. Takes into account additional costs of contracting out of paint work due to elimination of Auto Painter Repair Worker and establishing formal contracts with commercial vendors for maintenance work.

⁷ Savings realized by fleet customers not having to pay annual replacement charges as a result of not having to replace their units

⁸ Reflects income generated through disposal of 118 units that have accumulated over time and are currently located at Municipal Service Center.

Attachment C – Examples of Fleet Performance Measures

Maintenance and Repair Performance Measures

- Ratio of direct technician labor hours to indirect technician labor hours
- Percentage of all PM inspections and annual state emissions inspections performed of those scheduled over a designated period
- Percentage of PM inspections performed within (XX) hours of presentation (by shop)
- Ratio of scheduled maintenance (PM) work orders to unscheduled repair work orders
- Downtime (or uptime) percentage by class of vehicle (excludes accidents)
 - Administrative vehicles and trucks
 - Medium/heavy trucks
- Percentage repairs that have turnaround time within one day
- Percentage repairs that have turnaround time within two days
- Percentage repairs greater than two days
- Number of unscheduled repairs per vehicle maintained
- Percentage of breakdowns per 100 vehicle repairs and miles/hours between breakdowns (such as tires)
- Percentage repairs that are repeat repairs (comebacks by shop)

Performance Measures that Monitor PM Compliance

- Mechanic Performance: Measures mechanic performance against time standard for each PM service (A, B, C, D) for each class of vehicle over a given period.
- PM Compliance: Measures the percentage (%) of PM inspections performed against PM's due and scheduled on a monthly basis. PM labor hours backlogged at month-end.
- PM Turnaround Time: Measures the percentage of all PM inspections performed within (XX) hours of presentation (by shop).
- PM Effectiveness: Ratio of scheduled maintenance (PM) work orders to unscheduled repair work orders over a given period.

Parts Services Performance Measures

- Downtime due to parts
- Vehicle-hours (or days) lost waiting for parts
- Percentage of repairs delayed due to stock outages/lack of parts
- Percentage charge or markup on the price of parts; by light duty; by heavy duty
- Parts turnover ratio (total number of parts used during a specified period divided by the average number of parts on hand at any given time)
- Total annual value of stock lost due to theft, loss, deterioration, or obsolescence (shrinkage)
- Average cost to process a purchase order
- Inventory adjustments (by line and value)

- Number of lines (and dollar value) of parts inactive in past six months
- Parts service level or the percentage of time that parts requests are filled from inventory on demand, within (XX) hours
- Number of open backorders by line, value, and age
- Ratio of the request fill rate to the level of investment in inventory
- Ratio of inventory volume to inventory value

Fuel Services Performance Measures

- Fully burdened cost of gallon of fuel
- Cost of gallon of fuel from area private providers, adjacent cities and counties
- Average fuel consumption (miles per gallon) by vehicle and class
- Fuel cost per mile
- Average total fuel cost by class

Acquisition, Replacement and Disposal Performance Measures

Acquisition Performance Measures

- Percentage of specifications prepared within four weeks of request
- Proportion of vehicle replacements funded from annual contributions to replacement funds
- Turnaround time from vehicle ordering to receipt of the unit
- Turnaround time from receipt of the unit to in-service date

Replacement Performance Measures

- Proportion of vehicles driven below minimum miles/hours criteria
- Average annual utilization (miles, hours) by vehicle class and type of assignment; Ratio of annual utilization (miles, hours) by vehicle class to capacity (or output available)
- Number and percentage of vehicles by total lifetime mileage grouping (to review age of fleet in miles/hours); Percentage of lightly, heavily-used vehicles
- Ratio of vehicles identified at the optimum replacement point (age and/or mileage replacement policy threshold) to vehicles actually being replaced
- Average actual vehicle retention period by class
- Number and percentage of vehicles exceeding standards on number of repairs, cost of repairs, road calls, downtime, utilization, oil consumption, cost per mile
- Number of qualifying vehicles that have planned replacement funding

Disposition Performance Measures

- Average salvage value per class by method of disposition
- Average number of days from out-of-service to disposition
- Ratio of salvage value to original purchase price

Other Performance Measures

Agency Profit/Loss

- Net annual revenues vs. operating expenditures (profit/loss) by fleet by class and by vehicle

Operating Budget

- Total actual operating costs vs. budgeted costs
- Ratio of administrative overhead costs to total operating costs
- Ratio of maintenance and repair costs to total operating costs
- Ratio of parts costs to total operating costs
- Ratio of fueling costs to total operating costs
- Ratio of motor pool costs to total operating costs
- Ratio of indirect cost allocation to total operating costs

Replacement Reserve Fund

- Ratio of funds allocated for annual replacement to the estimated value of the current fleet (or class) (replacement cost method)
- Number of units to be replaced in the next year as a percentage of the fleet
- Number of units to be replaced in the next year as compared to the District's replacement criteria guideline

Fleet Costs

- Total vehicle cost per mile/hour by fleet, by department, by class, by vehicle function
- Capital cost per mile/hour by fleet, by department, by class, by vehicle function
- Annual unit cost of each vehicle by class
- Operating and maintenance cost per vehicle by class

Stockton – Fleet Efficiency and Streamlining Analysis Draft Implementation Action Plan

June 2013

Management
Partners



Making the Most of the Draft Implementation Action Plan

Management Partners has developed this draft Implementation Action Plan to assist the City of Stockton with the implementation of 29 fleet management recommendations and 16 fleet utilization recommendations. The work involved in implementing the recommendations must be integrated into the other work of the divisions, with appropriate assignments of responsibility for implementation and with the identification of specific planned completion dates. The draft Action Plan begins that process with guidance about the length of time that might be required to complete an individual recommendation (estimated total task time) and with a recommended priority assignment (1, 2 or 3, based on criteria described in the document). The discipline of successful project planning is basic to successful execution of the work ahead.

To convert this draft to a final Action Plan, the Deputy City Manager, Public Works Director, Deputy Public Works Director, Fleet Manager and appropriate staff members will need to identify specific target dates. In doing so, you may want to modify the described activities for implementing an individual recommendation based on your knowledge of what will be required for completion, or to adjust the assignment of responsibility based on workload or other considerations. The recommendations are grouped by the following topical areas:

Fleet Management

- Organization Culture, Structure and Staffing Levels
- Maintenance, Repair and Parts Programs
- Vehicle and Equipment Replacement
- Business Systems
- Fleet Performance Measures

Fleet Utilization

- Fleet Usage Guidelines and Policies
- Fleet Pooling and Reassignments

In addition, we have provided a priority list of recommendations from both Fleet Management and Fleet Utilization in order to provide the most effective strategic approach. Implementation steps for the priority listing can be found in the body of the action plan.

RECOMMENDATIONS TO BE ADDRESSED IMMEDIATELY ACCORDING TO PRIORITY		
1	Recommendation 1	Establish operational and performance expectations for the fleet manager.
2	Recommendation 2	Establish a Vehicle and Equipment Committee.
3	Recommendation 20	Take steps immediately to dispose of the 118 vehicles and equipment currently in the corporation yard.
4	Recommendation 15	Surplus the PG&E utility truck (unit 5007).
5	Recommendation 3	Redesign the garage facility.
6	Recommendation 25	Eliminate the auto painter repair worker position and contract all fleet-related paint and bodywork.
7	Recommendation 26	Develop service level agreements between the Fleet Management Section and each of its customers.
8	Recommendation 13	Assign the Fleet Management Section responsibility for maintaining all 14 Arena and Ballpark units.
9	Recommendation 16	Incorporate those units that will be retained at the Port Facility into fleet management's preventive maintenance program.
10	Recommendation 12	Fill the two vacant mechanic II positions.
11	Recommendation 7	Develop a Service Request Form.
12	Recommendation 5	Redesign PM checklists to reflect appropriate (manufacturer) inspections and intervals.
13	Recommendation 4	Organize the preventive maintenance workload for the entire year.
14	Recommendation 6	Add a swing shift or overlapping shift.
15	Recommendation 11	Issue an RFP and award a contract to provide fleet repair services with local vendors.
16	Recommendation 13	Track and monitor mechanics' non-wrenching hours.
17	Recommendation 23	Track wrenching and non-wrenching time for all fleet staff that perform maintenance and repair work.
18	Recommendation 14	Establish a performance productivity goal for mechanics.
19	Recommendation 10	Establish a heavy equipment pool.
20	Recommendation 11	Develop rental rates.
21	Recommendation 12	Require all requests for heavy equipment rentals to be processed and approved.
22	Recommendation 6	Train employees on the guidelines and policies regarding when to use a City vehicle, mileage reimbursement, or a rental vehicle.
23	Recommendation 5	Create a central motor pool at the SEB building.
24	Recommendation 8	Designate pickups 2753 and 2690 as MSC pool vehicles.
25	Recommendation 9	Designate eight vehicles from the current MSC pool as shop loaners.
26	Recommendation 7	Utilize the State of California's rental car contract for rental vehicles.
27	Recommendation 4	Calculate rental rates to recover all ownership and operational costs of all pool units.
28	Recommendation 14	Implement a demonstration project to test the use of electric carts to replace pickups.
29	Recommendation 2	Update the utilization analysis in six months and then every two years thereafter.

RECOMMENDATIONS REGARDING REPLACEMENT PLANNING/FUNDING, CHARGEBACK AND RENTAL RATE SYSTEMS		
1	Recommendation 17	Adopt a formal methodology and criteria for the replacement of vehicles and equipment.
2	Recommendation 18	Reformulate the vehicle replacement cost to include expenses for make ready costs and auction fees.
3	Recommendation 19	Develop a long-range replacement planning and funding strategy.
4	Recommendation 21	Adopt a methodology to support the replacement of vehicles and equipment based on the “optimum economic life point” of a unit.
5	Recommendation 22	Develop a comprehensive and accountable chargeback system.
6	Recommendation 24	Develop shop labor rates and markups/charges by appropriately allocating labor and overhead costs.
7	<i>Recommendation 3</i>	<i>Develop guidelines and policies that support the most economic means of transportation.</i>
RECOMMENDATIONS TO BE ADDRESSED AFTER FLEET MANAGEMENT INFORMATION SYSTEM HAS BEEN SELECTED OR IS OPERATIONAL		
1	Recommendation 10	Reassess the cost and benefits of using a national parts vendor.
2	Recommendation 15	Eliminate the project manager I position.
3	Recommendation 14	Eliminate the two part-time office assistant I positions when the new fleet management information system is acquired
4	<i>Recommendation 1</i>	<i>Reformulate the City's fleet classification system.</i>
5	Recommendation 27	Customize monthly reports and develop an annual report for each client department
6	Recommendation 28	Develop routine management reports for Public Works Department management and the City Manager.
7	Recommendation 29	Establish performance measures and monitor them.
RECOMMENDATIONS THAT SHOULD NOT BE IMPLEMENTED DUE TO DECISION TO CONTRACT OUT PARTS PROGRAM		
	Recommendation 8	Transfer the fleet parts support function from Purchasing to Fleet Management and staff with two full-time materials specialists.
	Recommendation 9	Issue a request for proposals and award contract(s) for vendors to provide fleet parts.

Blue font represents recommendations from Fleet Utilization Memorandum.

Black font represents recommendations from Fleet Assessment Memorandum.

Management Partners remains available to consult with you in this process in whatever way we can be helpful. Please do not hesitate to contact Lynn Dantzker (925-998-6972) or Greg Fassler (916-315-9241) if we can be of assistance. They can also be reached by email at ldantzker@managementpartners.com and gfassler@managementpartners.com.

Fleet Management

Rec#	Recommendation	Implementation Steps	Priority ¹ - Time to Accomplish	Person Responsible ²	Comments
Organization Culture, Structure and Staffing Levels					
1	Establish operational and performance expectations for the fleet manager.	<ul style="list-style-type: none"> Review Fleet Management and Utilization reports and recommendations with Fleet Manager. Determine and clarify priorities and schedule for implementation. Develop and document specific performance expectations and actions with respect to the recommendations. Establish a schedule for regular review of performance. 	Priority 1 – One month	Public Works Director	
25	Eliminate the position of Auto Painter Repair Worker and contract all fleet-related paint and bodywork.	<ul style="list-style-type: none"> Evaluate existing work program of the Auto Painter Repair Worker Position and re-assign non fleet responsibilities to other positions within Public Works. Work with Human Resources to reassign Auto Painter Repair Worker to another position within the city or equipment mechanic position (if qualified or able to be trained). Outsource paint and bodywork with existing fleet vendors until contracts can be established through Request for Proposal Process (RFP) process as part of Maintenance, Repair and Parts Program (See Recommendation #10) 	Priority 1- 2 months	Public Works Director	

¹ Priority 1: Important to accomplish without delay and/or easy to accomplish.

Priority 2: Second tier of importance to accomplish and/or may involve some complexity or time to complete

Priority 3: Least urgent to complete and/or may take longer to set-up or to execute

² To establish clear accountability there should be a single manager assigned responsibility for completing implementation of each recommendation. Where more than one manager is identified in this column, responsibility should be clarified when the Final Action Plan is prepared.

Rec#	Recommendation	Implementation Steps	Priority ¹ - Time to Accomplish	Person Responsible ²	Comments
2	Establish a Vehicle and Equipment Committee whose main task is to develop comprehensive administrative policies for vehicles and equipment.	<ul style="list-style-type: none"> • Draft Administrative Directive to establish the purpose and responsibilities of a Vehicle and Equipment Committee; review with Executive Team. • Solicit departmental representatives to be part of a Vehicle and Equipment Committee comprised of the largest fleet customers (preferably manager level) and chaired by Deputy City Manager and staffed by the Fleet Manager • Draft work plan with goals and objectives for first year • Establish a regular meeting schedule (once per month to start) to develop fleet policy, review requests for new fleet units and discuss issues between fleet management and fleet customers 	Priority 1 2 months	Deputy City Manager	Management Partners can assist with drafting of directive and preparation of work plan.
12	Fill the two vacant Mechanic II positions. If a second shift is implemented, the positions should be filled by lead mechanics. (To be implemented following Item 5)	<ul style="list-style-type: none"> • Seek authorization to fill two vacant positions at levels to be determined • Reassign Auto Painter Repair Worker to vacant Equipment Mechanic position if qualified (one Equipment Mechanic position presumed to become vacant following promotion to lead mechanic.) • Recruit and appoint 	Priority 1 3 months	Public Works Director	
6	Add a swing or overlapping shift to better accommodate the schedules of fleet customers, improve customer satisfaction and sustain preventive maintenance schedules.	<ul style="list-style-type: none"> • Meet with fleet customers to develop “service level agreements” (see Business Systems-Recommendation 25) • Organize preventive maintenance workload for next 12 months (see Maintenance, Repair and Parts Program-Recommendation 3) to determine maintenance requirements • Allocate appropriate staffing levels to day and swing shifts to accommodate customer needs and shop workload 	Priority 2 3 months	Fleet Manager	Management Partners can assist with developing service level agreements, meeting with fleet customers and organizing the preventive maintenance workload.

Rec#	Recommendation	Implementation Steps	Priority ¹ - Time to Accomplish	Person Responsible ²	Comments
8	Transfer the fleet parts support function from Purchasing to Fleet Management and staff with two full-time materials specialists.				Not to move forward as department prefers contracting the parts program to a private vendor.
15	Re-evaluate the Project Manager I position following the implementation of a new Fleet Management Information system to ensure the duties and responsibilities are commensurate with the position.	Evaluate duties and responsibilities of Project Manager I position following implementation of new Fleet Management Information System.	Priority 3-1 month	Deputy Public Works Director	
16	Eliminate two part-time Office Assistant I positions following implementation of a new Fleet Management Information system.	Working with Human Resources, develop a plan for either elimination of the two part-time positions or re-assignment to another function within the City.	Priority 3-1 month	Public Works Director	
Maintenance, Repair and Parts Programs					
7	Develop a Service Request Form and require all fleet customers to submit one when turning in their vehicle or equipment for repair.	<ul style="list-style-type: none"> • Collect and review sample Service Request Forms from peer agencies • Draft Service Request Form • Submit form to Vehicle and Equipment Committee (if formed) for review and approval • Develop interim management system for maintaining and processing service requests until a new Fleet Management Information System is implemented. • Print request forms and distribute to fleet customers with instructions; make them available at the repair shop 	Priority 1 1 month	Fleet Manager	MP can assist in developing new Service Request Form, developing an interim management system within fleet and implementing the process citywide.

Rec#	Recommendation	Implementation Steps	Priority ¹ - Time to Accomplish	Person Responsible ²	Comments
3	Redesign the garage facility to support better workflow and provide supervision oversight.	<ul style="list-style-type: none"> • Draft design plan, with costs, funding plan and schedule to accomplish the following objectives (may be in phases): <ul style="list-style-type: none"> Ø Close down paint and bodywork shop Ø Relocate parts room from east wing of shop to area between light and heavy-duty shop areas Ø Relocate isolated motorcycle shop to main shop area Ø Remove all outside bay repair areas and move equipment into main shop area Ø Reconfigure supervisor’s office to oversee light and heavy-duty shop areas • Seek approval of plan and implement in accordance with resources available and schedule 	Priority 1 3 months (design plan) Up to 1 year for Implementation	Public Works Director	MP can assist in design effort.
10	Reassess the cost and benefits of using a national parts vendor to provide the City’s on-site fleet parts and inventory program.	<ul style="list-style-type: none"> • Meet with San Joaquin County to determine opportunities for possible joint efforts on their existing contracts. • Meet with City Attorney’s Office, Human Resources and Finance (Purchasing) to determine policy, regulatory requirements and process for contracting out work. • Evaluate physical space requirements for costs to house an independent vendor • Develop and issue a request for proposals (RFP) for a national parts contractor to assume the City’s on-site fleet parts program • Perform cost/benefit analysis against current operation. • Select and implement most cost/effective program that meets the needs of an effective fleet operation. 	Priority 1 4 months	Public Works Director	MP can assist in developing RFP and reviewing proposals.
5	Redesign PM checklists to reflect appropriate (manufacturer) inspections and intervals applicable to various classes of vehicles and equipment.	<ul style="list-style-type: none"> • Review examples of PM checklists contained in Fleet Management Assessment Memorandum • Revise current PM checklists that are class-specific and include manufacturer recommended servicing and appropriate intervals • Ensure that time intervals as well as mileage/hour intervals are applied to all PM servicing • Train staff on proper preventive maintenance techniques 	Priority 2 2 months	Fleet Manager	Management Partners can assist in redesign of PM checklists and training.

Rec#	Recommendation	Implementation Steps	Priority ¹ - Time to Accomplish	Person Responsible ²	Comments
4	Organize the preventive maintenance workload for the entire year and notify fleet customers one month in advance of their PM appointment with a follow up e-mail reminder one week prior to appointment.	<ul style="list-style-type: none"> • Determine the frequency and number of hours required to perform scheduled maintenance for each fleet unit • Plot scheduled maintenance workload over 12-month period • Develop advance notification system to alert fleet customers when to bring their units in for service 	Priority 2 2 months	Fleet Manager	Management Partners can assist in developing and implementing this program.
9	Issue a request for proposals and award contract(s) for vendors to provide fleet parts with set prices and delivery criteria. (This recommendation will not move forward if it is determined that contracting with a private vendor is more beneficial.)	<ul style="list-style-type: none"> • Meet with San Joaquin County to determine opportunities for possible joint efforts on their existing contracts. • Meet with Finance (Purchasing) to determine policy, regulatory requirements and process for issuing contracts. • Seek necessary authorizations to issue a request for proposal (RFP) for new contracts with vendors. • Draft RFP to include performance and service delivery parameters. Evaluate responses; award contract. • Implement program. 	Priority 2 6 months	Public Works Director	Management Partners can assist in developing RFP and reviewing proposals.
11	Issue an RFP and award a contract to provide fleet repair services with local vendors with set prices, delivery criteria and warranties.	<ul style="list-style-type: none"> • Meet with San Joaquin County to determine opportunities for possible joint efforts on their existing contracts. • Develop accurate inventory of current vendors and contracts. • Assess fleet management needs for repair services • Develop and issue a request for proposal(s) (RFP) for repair services to support the city's fleet management program, as appropriate. • Enter into professional service agreements with applicable repair vendors • Maintain vendor list 	Priority 2 6 months	Fleet Manager	MP can assist in needs assessment and developing RFP.
Vehicle and Equipment Replacement					

Rec#	Recommendation	Implementation Steps	Priority ¹ - Time to Accomplish	Person Responsible ²	Comments
20	Take steps immediately to dispose of the 118 vehicles and equipment currently in the corporation yard.	<ul style="list-style-type: none"> Determine city policy and procedure for surplus property and develop appropriate steps to comply. If auction is allowed, prepare units for auction Contract with a commercial auction company capable of auctioning off all units 	Priority 1 2 months	Public Works Director	Following procedural determination, Management Partners can help facilitate auction process.
21	Adopt a methodology to support the replacement of vehicles and equipment based on the “optimum economic life point” of a unit.	<ul style="list-style-type: none"> Develop data to support industry standard methodology focusing on replacement targets such as downtime, salvage value, operational costs and ownership costs Review and adopt the “Replacement Scoring System” as recommended in the Fleet Management Assessment Memorandum. Apply the scoring system to fleet units that are due for replacement. 	Priority 1 1 month	Fleet Manager	Management Partners can assist with developing methodology.
17	Adopt a formal methodology and criteria for the replacement of vehicles and equipment.	<ul style="list-style-type: none"> Review examples replacement intervals (years, miles/hours) contained in Fleet Management Assessment Memorandum Collect replacement interval data from peer agencies Adopt new criteria 	Priority 3 1 month	Fleet Manager	MP can provide expanded replacement interval criteria for review and recommend new criteria.
18	Reformulate the vehicle replacement cost to include expenses for make ready costs and auction fees and credit the proper salvage value to each vehicle.	Calculate make ready costs, auction fees and salvage value for each fleet unit and incorporate into replacement cost formula.	Priority 3 1 month	Public Works Director	MP can develop long range replacement plan with calculations that incorporate make ready costs, auction fees and salvage value for each fleet unit.
19	Develop a long-range replacement planning and funding strategy for the entire fleet over a 15 to 20 year period.	<ul style="list-style-type: none"> Revise existing replacement schedule to include new criteria adopted in recommendations 16 and 17 Assign projected costs and extend to determine funding needs Revise draft plan to develop sustainable program given funding constraints Review draft with Finance department and determine implementation steps 	Priority 3 1 month	Public Works Director	Part of Recommendation 2

Rec#	Recommendation	Implementation Steps	Priority ³ - Time to Accomplish	Person Responsible ⁴	Comments
Business Systems					
26	Develop service level agreements between the Fleet Management Section and each of its customers.	<ul style="list-style-type: none"> Review respective department service histories Develop proposal for services and review with individual department directors or designated staff Negotiate and implement service levels to remain within resource constraints city-wide 	Priority 1 2 months	Fleet Manager	Management Partners can assist in assembling service level agreement proposals and assistance with negotiations with fleet customers
22	Develop a comprehensive and accountable chargeback system that incorporates fleet replacement, overhead and all operational costs.	<ul style="list-style-type: none"> Determine rates and charges sufficient to support replacement, overhead and operational costs of specific vehicle and equipment classes Review rates and proposed methodology with Finance department Assign rates and charges to assets and assess charges through budget process to individual departments 	Priority 2 2 months	Public Works Director	Management Partners can develop chargeback system supported by worksheets that incorporate rates per class

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Priority 3: Least urgent to complete and/or may take longer to set-up or to execute

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Rec#	Recommendation	Implementation Steps	Priority ³ - Time to Accomplish	Person Responsible ⁴	Comments
24	Develop shop labor rates and markups/charges by appropriately allocating labor and overhead costs that include the functions of administration/asset management, maintenance/repair, fuel, parts and commercial repair work.	<ul style="list-style-type: none"> Perform an activity-based cost analysis in which labor and overhead costs are allocated to administration/asset management, maintenance/repair, fuel, parts and commercial repair work Compute a shop labor rate by dividing the total annual maintenance and repair overhead and labor costs by the total annual "wrenching hours" of all mechanics Compute markups for fuel, parts and commercial repair work by dividing their total annual overhead and labor costs of each of these activities by the annual cost of fuel, parts and commercial repair work, respectively Compute an annual administration/asset management charge by dividing the total annual overhead and labor costs of this activity by the total number of fleet units Compare shop labor rate and markups with local market rates and industry markup standards to determine future focus of efficiencies. 	Priority 2 1 month	Fleet Manager	Management Partners can assist in developing an activity-based cost analysis worksheet with preparation guidelines.
27	Customize monthly reports and develop an annual report for each client department.	<ul style="list-style-type: none"> Assess information needs of departmental managers Develop monthly and annual summary reports that reflect applicable fleet information 	Priority 3 2 months	Public Works Director	Management Partners could assist in canvassing department information needs and the development of applicable reports.
28	Develop routine management reports for Public Works Department management and the City Manager.	<ul style="list-style-type: none"> Assess information needs of Public Works and City Manager's Office Develop monthly and annual summary reports that reflect applicable fleet information 	Priority 3 1 month	Public Works Director	MP could assist in canvassing Public Works and City Manager's Office information needs and the development of applicable reports.

Rec#	Recommendation	Implementation Steps	Priority ⁵ - Time to Accomplish	Person Responsible ⁶	Comments
Fleet Performance Measures					
13	Track and monitor mechanics' non-wrenching hours over a six-month period to determine whether lower level staff could more efficiently perform these duties.	<ul style="list-style-type: none"> Identify non-wrenching tasks and assign codes that mechanics can use to document their time Track each mechanic's wrenching and non-wrenching time over a six-month period and determine the number of hours spent on non-wrenching activities. Hire part-time employees to perform non-wrenching tasks based on total hours computed over a 12-month period 	Priority 1 6 months	Fleet Manager	
4	Establish a performance productivity goal for mechanics to spend between 70% and 75% of their time on wrenching activities.	<ul style="list-style-type: none"> Meet with fleet staff to explain the importance of establishing a performance productivity goal and how it impacts the shop labor rate Establish a mechanism to track and monitor each mechanic's time Review wrenching productivity data with mechanics on monthly basis 	Priority 1 6 months	Public Works Director	Management Partners could assist in establishing a tracking mechanism.
29	Establish performance measures and monitor them with the goal of measuring performance against industry and shop standards.	<ul style="list-style-type: none"> Identify desired maintenance service performance measures Communicate performance measures and relativity to fleet industry with staff and Vehicle and Equipment Committee (if formed) Establish a mechanism to track and monitor measures Develop reports that compare actual performance with stated goals Review measures with staff and committee on a monthly basis 	Priority 3 1 month	Fleet Manager	Management Partners can assist with developing applicable performance measures.

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Priority 3: Least urgent to complete and/or may take longer to set-up or to execute

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Rec#	Recommendation	Implementation Steps	Priority ⁵ - Time to Accomplish	Person Responsible ⁶	Comments
23	Track wrenching and non-wrenching time for all fleet staff that perform maintenance and repair work.	<ul style="list-style-type: none"> To be achieved in conjunction with Fleet Performance Measures- Recommendation 28 	Priority 2 6 months	Fleet Manager	

Fleet Utilization

Rec#	Recommendation	Implementation Steps	Priority ⁷ - Time to Accomplish	Person Responsible ⁸	Comments
Fleet Usage Guidelines and Policies					
1	Reformulate the City's fleet classification system to more closely resemble industry vehicle and equipment labeling standards.	<ul style="list-style-type: none"> Review alternative classification systems such as those provided by the American Public Works Association (APWA), the National Association of Fleet Administrators (NAFA) or those provided by the fleet management information system when acquired Review fleet assets and classify 	Priority 3 1 month	Fleet Manager	Management Partners can provide examples of classifications systems for consideration.
2	Update the utilization analysis in six months and then every two years thereafter.	<ul style="list-style-type: none"> Track miles and hour utilization for each fleet asset over the next six months Re-compute utilization criteria for low, medium and high usage units Identify underutilized units and meet with fleet customers to discuss transportation alternatives 	Priority 3 6 months	Fleet Manager	
Fleet Pooling and Reassignments					
15	Surplus the PG&E utility truck (unit 5007).	<ul style="list-style-type: none"> Determine applicable city surplus and equipment disposal policies and procedures Prepare unit 5007 for auction Make arrangements with auction firm to sell unit 	Priority 1 2 months	Public Works Director	

⁷ Priority 1: Important to accomplish without delay and/or easy to accomplish.

Priority 2: Second tier of importance to accomplish and/or may involve some complexity or time to complete

Priority 3: Least urgent to complete and/or may take longer to set-up or to execute

⁸ To establish clear accountability there should be a single manager assigned responsibility for completing implementation of each recommendation. Where more than one manager is identified in this column, responsibility should be clarified when the Final Action Plan is prepared.

Rec#	Recommendation	Implementation Steps	Priority ⁷ - Time to Accomplish	Person Responsible ⁸	Comments
5	Create a central motor pool at the SEB building utilizing existing City vehicles and/or rental car firms.	<ul style="list-style-type: none"> Meet with San Joaquin County to determine joint pooling opportunities. Assess available vehicles for pool use compared with replacements and rental options Determine the criteria regarding the use of pool vehicles vs. mileage reimbursement vs. rental of vehicles from commercial rental agencies Communicate impact to user departments and internal customers Transfer assets to central pool and assign responsibility for management Issue guidelines to departments for use of motor pool. 	Priority 2 2 months	Fleet Manager	Management Partners can assist with the assessment and implementation options.
3	Develop guidelines and policies that support the most economic means of transportation and periodically update the cost analyses.	<ul style="list-style-type: none"> Draft City-wide fleet policy regarding standards for vehicle assignments, take-home vehicles, standby units, pool vehicles and rental car units Review policy with City Manager’s Office, Vehicle and Equipment Committee (if formed) and Executive Team Update costs/rates every year based on budgeted expenses and utilization 	Priority 2 3 months	Public Works Director	
6	Train employees on the guidelines and policies regarding when to use a City vehicle, mileage reimbursement, or a rental vehicle.	<ul style="list-style-type: none"> Communicate criteria regarding the use of pool vehicles vs. mileage reimbursement vs. rental of vehicles from commercial rental agencies to all departments Assign supervisors responsibility to administer the new policies Provide training to the person assigned to dispatch pool vehicles 	Priority 2 2 weeks	Fleet Manager	
7	Utilize the State of California’s rental car contract for rental vehicles to supplement the City pool when units are out of service due to extensive repair work or for peak needs.	<ul style="list-style-type: none"> Meet with local rental agencies and develop a contract to provide pool cars using State of California rental rates Develop rental chargeback rates that recover the cost charged by the rental agency plus any administrative, cleaning and/or dispatching costs 	Priority 2 2 months	Fleet Manager	

Rec#	Recommendation	Implementation Steps	Priority ⁷ - Time to Accomplish	Person Responsible ⁸	Comments
4	Calculate rental rates to recover all ownership and operational costs of all pool units.	<ul style="list-style-type: none"> Develop rates designed to recoup depreciation, fuel, maintenance and any overhead associated with managing the pool Review rental rates with Public Works and Finance departments. Adopt rental rates 	Priority 2 1 month	Fleet Manager	<p>Rates should be competitive with those rates charged by local equipment rental agencies and should include an hourly, daily, weekly and monthly schedule.</p> <p>Management Partners can assist with development of rental rates.</p>
10	Establish a heavy equipment pool with the units recommended in this memorandum.	<ul style="list-style-type: none"> Meet with affected departments to explain benefits and objectives of heavy equipment pool; assess concerns. Create a heavy equipment pool by transferring departmental assigned units identified in the memorandum. Establish contracts with commercial equipment rental firms to rent equipment when equipment is not available from heavy equipment pool. 	Priority 2 3 months	Fleet Manager	
11	Develop rental rates to recoup all ownership and operational costs of each unit in the heavy equipment pool.	<ul style="list-style-type: none"> Develop rates designed to recoup depreciation, fuel, maintenance and any overhead associated with managing the pool Review rental rates with Public Works and Finance departments. Adopt rental rates 	Priority 2 2 months	Fleet Manager	Management Partners can assist with development of rental rates.
12	Require all requests for heavy equipment rentals to be processed and approved through a single City source.	<ul style="list-style-type: none"> Draft policy that reflects the process by which all requests to rent heavy equipment be processed through fleet management. Review proposed policy with Vehicle and Equipment Committee if formed or Deputy City Manager. Implement policy and communicate to affected departments 	Priority 2 2 months	Fleet Manager	

Rec#	Recommendation	Implementation Steps	Priority ⁷ - Time to Accomplish	Person Responsible ⁸	Comments
13	Assign the Fleet Management Section responsibility for maintaining all 14 Arena and Ballpark units and set up a chargeback mechanism to recoup maintenance costs.	<ul style="list-style-type: none"> Meet with SMG to discuss transferring the responsibility of maintaining the 14 Arena and Ballpark units from SMG to the City's Fleet Management Section If approved, develop a means to recoup the cost to maintain the units with a proper chargeback mechanism. 	Priority 2 1 week	Deputy City Manager	
8	Designate pickups 2753 and 2690 as MSC pool vehicles.	<ul style="list-style-type: none"> Assign responsibility for management. 	Priority 3 1 week	Fleet Manager	
9	Designate eight vehicles from the current MSC pool as shop loaners.	<ul style="list-style-type: none"> Assign responsibility for management. Communicate change to impacted departments. 	Priority 3 1 week	Fleet Manager	
14	Implement a demonstration project to test the use of electric carts to replace pickups 2439, 2754 and 5099 at the Municipal Tertiary Plant.	<ul style="list-style-type: none"> Analyze electric cart marketplace to determine what makes and models might be applicable to the tertiary plant environment Solicit demonstration models from electric cart manufacturers to use on site for short period of time Obtain feedback from operators Develop specifications and issue a request for proposals (RFP) to purchase three electric carts Closely monitor costs and utilization of carts 	Priority 3 4 weeks	Senior Plant Maintenance Supervisor-MUD	Specifications and selection of electric carts should be accomplished in conjunction with Fleet Manager
16	Incorporate those units that will be retained at the Port Facility into fleet management's preventive maintenance program.	<ul style="list-style-type: none"> Identify which units at the Port Facility require ongoing maintenance Incorporate units into the city's fleet management preventive maintenance program Set up proper chargeback system to recoup maintenance costs 	Priority 3 2 weeks	Fleet Manager	Identification of units should be accomplished in conjunction with Fire Department

HEARINGS



AGENDA ITEM 16.01



Legislation Text

File #: 13-0582, **Version:** 1

PROPOSED TRANSACTION AND USE TAX FOR NOVEMBER 5, 2013 BALLOT

RECOMMENDATION

1. Hold the scheduled noticed public hearing on the proposed $\frac{3}{4}$ cent sales tax measure recommended for placement before the voters on November 5, 2013;
2. Adopt a Resolution calling for the election; and
3. Adopt an Ordinance establishing the $\frac{3}{4}$ cent sales tax contingent upon voter consideration and approval at the November 5, 2013 election.

SUMMARY

This report presents the final actions necessary to place a three-quarter cent sales tax measure before the voters in November 2013. On June 25, 2013, the Council requested the scheduling of a public hearing to consider the issue of a tax measure and the necessary supporting resolution and ordinance. A copy of the June 25th staff report and a supporting PowerPoint presentation are attached to this report (Attachments A and B).

On June 25th, your Council asked that the proposed ballot measure address the following goals: 1) if “good times” come back, there should be measures to reduce the likelihood of monies being “wasted” on new risky adventures or excessive employee compensation; 2) the vast majority of the new tax proceeds should be spent on restoring public safety services; 3) there should be an active citizens panel overseeing the use of the new funds; 4) there should be an annual audit of the funds and 5) some form of sunset consideration should be built in to be triggered if the City’s fiscal position can permit termination of the tax in the future. I have included the actual Ordinance (Exhibit 1 to the Resolution) that attempts to address all these goals while providing enough flexibility to allow the City to get back on sound financial footing and allocate the vast majority of the funds (65% over ten years) towards tackling a long-standing challenge of unacceptable crime levels in Stockton.

Because of State law related to the placement of tax issues on the ballot during elections when members of the local governing board are not on the ballot, this matter must be approved by unanimous vote by those councilmembers in attendance at the meeting, and with certain findings relating to the existence of a financial emergency.

DISCUSSION

The accompanying Resolution declares the fiscal emergency and sets forth the ballot language for the tax measure itself (three-quarter cent transactions and use tax) and an accompanying advisory measure recommending a split of 65% for the Marshall Plan and improved public safety services,

and 35% for the Bankruptcy Recovery Plan (achieve general fund solvency, gradually restore insurance and other internal service funds, replace antiquated technology, general fund reserves, etc) and pay for other services. Combined, the total City local tax rate would be one cent (1.0%), which is at the maximum ever levied by any city in California, and thus it would be imprudent from a competitive standpoint to level anything higher. The accompanying Ordinance is the standard language required by the State Board of Equalization and is only considered once by the City Council; legally it is adopted (second reading) by the voters if they approve the ballot measure.

This tax has been designed to meet several goals. First it is a general tax which allows the City the flexibility to address bankruptcy issues, implement the Marshall Plan for public safety, restore overall solvency and prepare the City to address future unknown challenges that will inevitably come it's way over the next twenty years. As you know, the City of Stockton has been on the path of insolvency for 15-20 years. During this long slow path to insolvency, it did not invest in maintaining or repairing its facilities, infrastructure, equipment, fleet, technology and self-insurance funds. Many of these invisible programs directly impact Police services. The City also stripped any reserves to provide a cushion in dealing with the inevitable new challenges to a City for almost 300,000 people. The proposed tax measure also contains provisions consistent with a general tax but contains a number of accountability and transparency measures designed to show that the money is properly and prudently utilized.

With regard to the utilization of tax proceeds the advisory provisions specify that at least 65% of the funding be used for law enforcement and crime prevention such as outlined in the Marshall Plan for public safety. If the voters approve both measures, the will of the people is clear and future Councils will be held accountable if they deviate from the advisory language. Remaining funds can be used for City services and to allow the City to exit bankruptcy and resume solvent operations. Specific Marshall Plan uses, which have been developed with substantial community involvement, include:

- ✓ Adding 120 officers over the next 3 years (or sooner), to provide a sworn officer staffing level of approximately 1.6 per thousand population
- ✓ Maintaining and expanding as appropriate the Peacekeeper and Ceasefire programs
- ✓ Supporting the staff, equipment, training and supervision necessary for a larger police force
- ✓ Implementation of strategies for neighborhood improvement and stabilization
- ✓ Creation of a Violence Reduction office with the specific focus of sustaining and integrating Marshall Plan goals across the City as well as with the schools, County, Courts, detention system and other community stakeholders

The tax measure (ordinance) contains a number of provisions which are intended to foster accountability and transparency so that members of the public can see that the tax proceeds are being spent wisely and consistent with the goals of both the tax measure and the Marshall Plan. These provisions include:

1. Requirement for an annual independent audit of tax revenues and expenditures (Sec 20)
2. The establishment of a Citizens Oversight Committee (Sec 19)
 - a. To include seven members appointed by the City Council
 - b. Required to meet at least annually
 - c. Charged with reviewing all expenditures and revenues from the tax measure
 - d. Required to report at least annually to the City Council and to make recommendations as appropriate
 - e. Responsible for measuring the status of economic recovery for tax sunset purposes

3. The tax can continue only as long as needed. There are sunset and review provisions which provide (Sec 17 & 18):
 - a. The tax will sunset when the City achieves economic recovery such that general fund revenues regain the levels received in 2008/09 (adjusted for inflation), or in ten years
4. Absent Council action, the tax ends. However, the Council can extend the tax only by following a specific analysis and review process which requires adopting findings with required evidence, only after:
 - a. Holding two noticed public hearings, at least 14 days apart
 - b. Hearing the recommendations of the Citizens Advisory Committee
 - c. Finding that the revenues are still necessary to carry out the purpose of the tax
 - d. Finding that the total compensation to City employees is not excessive relative to other similar public sector employers

There is always a balance between providing the flexibility necessary so policy makers can adapt to changing times and circumstances while providing assurance to the taxpaying public that monies are being used as prudently and in-line with the priorities established in a tax measure. In Stockton we face the reality that, based on past decisions, there is a relatively high level of mistrust and concern about City accountability. These concerns were demonstrated both at the Marshall Plan Town Hall Meetings and at the City Council meeting on June 25. The accountability mechanisms included in the tax measure and summarized above represent a significant effort to constructively address such concerns. However, it is also important to note that under the representative democracy form of government we have used in Stockton for over 164 years elected officials must retain some authority to make decisions and adapt to a constantly changing environment. Good governance cannot be achieved by a formula, and history has shown that nobody can precisely predict the future. Many attribute the ungovernable situation with the State of California to a myriad of ballot measures that put the majority of their budget on auto-pilot. The community has the duty to remain engaged and to elect thoughtful leadership. The approach taken in the tax measure strikes a balance between this reality and the fact that meaningful accountability systems are necessary in the current Stockton environment to rebuild trust and maintain the engagement necessary between citizens and the Council.

Alternatives

As we shared with you on June 25th, this item tonight is a result of approximately 3 years of hard work. We are not choosing this path of submitting a tax measure lightly. In fact, the previous City Council decided the “old” City of Stockton could not justify a tax increase given its debts, an unsustainable retiree medical program, outstanding lawsuits with labor, compensation practices that were not supportable and no chance of restoring services. However, we now have a “reformed” City of Stockton with defensible compensation practices, a retiree medical program that will be eliminated, settled lawsuits, a clear path to restructure debt and a comprehensive plan to restore a real and perceived sense of public safety. We have reduced annual general fund expenditures by \$40,000,000 million and we will produce more savings before submitting a Bankruptcy Plan of Adjustment.

There are two other alternatives to submitting this tax measure to the voters in November. You can simply cut more out of the budget. However, as shared with you on June 25th, the necessary cuts to balance our budget would essentially eliminate all other non-safety general fund departments, decimate the Fire Department, while protecting the Police Department. This does not represent a

viable municipality.

The other alternative, in the event you cannot get unanimous approval to put this measure on the ballot in November, is to wait until June, 2014 where you can place a measure on the ballot with a simple majority of the Council. However, we believe another 8 month delay in Stockton's recovery will send a negative message to those that wish to invest in Stockton's participation in the economic recovery.

Measure W

There have been periodic comments about the City's experience with the old "Measure W" sales tax for public safety and whether or not the City has abided with this previous commitment. Some go further and say, if the City showed bad faith on Measure W, it cannot be trusted with this tax. I can say with confidence that Measure W funds are being spent to protect 23 police officer and 23 firefighter positions (see E-10 and F-10 in the FY 13-14 Proposed Budget). In other words, the City would have 46 less public safety positions if it were not for Measure W. With respect to the "foundation" that Measure W was built upon (the general fund), well, it crumbled with a 25% reduction in revenues. Thus, the crumbling "foundation" caused the reduction in other public safety positions. However, the Measure W positions have been retained in the budget. In fact, Measure W funds are being utilized to fund an experiment of using only 2 paramedics and a light vehicle to respond to medical emergencies.

After reviewing our 10 and 20 year forecasts, we think this proposed tax measure will help ensure the "foundation", the general fund, will be on solid financial footing to ensure it does not "crumble" again. Our revenue estimates are conservative calling for a 2 to 3 percent annual growth in revenues and our expenditure estimates are similarly conservative. This is a much different orientation than was the case in 2004 when the City was counting on a continuation of housing boom revenues to pay for services and the additional debt obligations we are now all too painfully aware of.

FINANCIAL SUMMARY

The cost of the November election will be approximately \$750,000, due to the limited number of agencies that will be participating in the ballot. Since any bankruptcy Plan of Adjustment was going to require additional resources to ensure the City's future sustainability, I recommend that we use the Bankruptcy Fund, account number 012-0139-510. This fund has adequate resources to cover this item.

CONCLUSION

The tax measure proposed would provide the tools necessary to restore Stockton to a sustainable future. Its approval will allow the City to address the current public safety needs that threaten the well-being of our residents and stymie economic development efforts. As noted, the Council must approve the accompanying Resolution and Ordinance unanimously. In addition this action must be taken on July 9th to comply with the County election rules.

Finally, the Resolution accompanying this staff report delegates to Council Member Holman the authority to sign the "argument-in-favor" and the "rebuttal argument" if needed, rather than deal with the logistical challenge of editing by the entire Council. Mr. Holman has a unique perspective of

being one of the tenured Council Members and being a Marshall Plan Stakeholder Committee Member.

Attachment A - June 25 Funding Proposal Staff Report

Attachment B - June 25 Funding Proposal Presentation Slides



City of Stockton

Legislation Text

File #: 13-0549, Version: 1

FUNDING PROPOSAL FOR STOCKTON'S MARSHALL PLAN ON CRIME AND RECOVERY FROM BANKRUPTCY

RECOMMENDATION

Schedule a noticed public hearing and consideration of a tax measure on July 9, 2013, for placement before the voters at the regularly scheduled election of November 5, 2013. On July 9 it will be recommended that the Council adopt a Resolution declaring a fiscal emergency; calling for the election and approving an Ordinance establishing the specificity for a ¾ cent sales tax to be considered by the voters.

Summary

This report presents a recommendation to place a tax measure before the voters on November 5, 2013. Its purpose will be twofold. First, it will provide the necessary general fund resources to fund the City's comprehensive Marshall Plan on Crime. Second, it will provide the necessary resources to put the general fund back into a solvent position and fund the City's bankruptcy exit plan. While six of you directed me to come back with this funding plan, explained later in this report such action will require a unanimous vote of the Councilmembers present to hear the item.

As you know, bankruptcy was a necessary action to maintain health and safety services to our community. It was a necessary but interim condition for the City to develop an ultimate recovery plan. In addition to emerging from bankruptcy and becoming solvent again, the City must restore services and, most importantly, invest in the Marshall Plan on Crime. In order to meet these objectives the City needs additional tax revenues. It is important to note that while the tax measure will result in significant new revenues, it will not get the City back, revenue-wise, to where it was before the Great Recession (which was nothing short of a disaster for Stockton), nor provide the means to restore all service reductions. Moreover, even with all the restructuring savings the City is seeking and can obtain only under Chapter 9, the general fund will fall an average of \$11 million short each year from being balanced just at its current level of inadequate public services. This leaves no resources to pay for the Marshall Plan, and leaves the City stuck in a service insolvent position. This is not a feasible option if the City is to achieve a sustainable budget that pays for adequate public services.

The only way to balance the general fund budget sustainably over time, restore adequate reserves, and improve public safety in the community, is to seek voter approval of additional tax revenue. The City has polled likely voters and determined that a 0.75% local sales tax, if structured so that the City could pay for improved safety services, has a good chance of garnering the needed majority vote for

a general tax measure. A unanimous vote of the members of the Council present on July 9, the date of the public hearing, is required to declare a fiscal emergency that allows such a tax on the November 5, 2013 ballot. Given the critical need to improve public safety funding, the lag time before tax proceeds come in and the lengthy process to fully implement the Marshall Plan, the City needs to pursue this tax in November, rather than wait until 2014. While the City has not concluded its bankruptcy proceeding, and may not have done so by the November 5 election, we have been declared eligible for Chapter 9 protection, and we will have a bankruptcy exit plan (Plan of Adjustment) before the judge by the election. The judge has made various rulings that minimize our concerns about voter approval of a tax before exiting bankruptcy. Furthermore, even if we received the judge's approval of a Plan of Adjustment, it would be contingent upon a voter approval of additional revenues, given the insolvent nature of the general fund from a cash and service delivery standpoint. Given the time constraints for a November ballot, the City must take action now.

The "old" City of Stockton

Prior to beginning the road to Chapter 9 protection, staff felt and the Council concurred, the City was not in a supportable position to ask voters for additional tax revenues. At that time, we had: (1) compensation that was above the labor market average; (2) a retiree medical insurance program that would require setting aside 30% of payroll for the next 30 years to fund; (3) outstanding lawsuits with two labor groups over past compensation impositions; (4) a growing debt burden; and, (5) no realistic potential to restore services. Any new taxes would have been consumed by the above factors. Professional polling supported the City assertions that voters would not approve new taxes without restoring services.

The "new" City of Stockton

However, we now have new labor agreements that have radically reduced compensation to a level that is below the labor market average for similar public agencies. We have resolved any outstanding lawsuits with the two labor groups. We have agreements with labor and retirees that will lead to the complete elimination of retiree medical insurance. The general fund's annual budget is \$40 million lighter due to these reforms. We are in the process of restructuring our debt burden. We now have an omnibus plan for restoring public safety services via the Marshall Plan on Crime. We have a new management team implementing "best practices" throughout the organization. In other words, we now have something to offer the voters. We have a reformed City organization with a comprehensive plan to restore public safety services.

The recommended action will give voters a chance to restore the revenues necessary to operate the City effectively. Management and policy changes made since the disaster will allow the City to operate efficiently. There are alternatives, of course, and they are presented here. The primary alternative approach would be more service reductions and expense cutting, but I do not believe this is consistent with a viable municipality. It should be noted the suggestion that the City somehow pull out of CalPERS to solve our problems is just a variation on this theme. Losing retirement benefits that are the standard statewide would, as the prevailing evidence showed in the bankruptcy eligibility

File #: 13-0549, Version: 1

proceedings, result in a mass exodus of employees, leaving the City unable to staff at the numbers and quality needed to sustain critical public services. Cancelling the CalPERS contract would also saddle the City with a \$946 million termination payment obligation to pay for accrued liability, which the City has no ability to fund. We would have a crippled organization with a mass employee exodus and no potential for hiring replacements. We would also gain a new “battle front” with another creditor that will consume time and resources, but to what ends? We would have to replace CalPERS with a market competitive pension plan. Instead, we need to continue advocating for CalPERS reform in Sacramento.

Finally, there is the nature of the tax proposal itself. While it is currently being drafted, some basic concepts I heard from Council members and the public include: (1) it should be a general tax to address the two goals of exiting bankruptcy and the Marshall Plan; (2) if “good times” come back, there should be some measures to reduce the likelihood of monies being “wasted” on new risky adventures or excessive employee compensation; and (3) the vast majority of the new tax proceeds should be spent on restoring public safety services. I look forward to any further goals from the Mayor or Council before the City Attorney and I submit ballot measure language for the July 9th City Council agenda.

BACKGROUND

Budget Impacts

Given Stockton’s heavily leveraged position, the Great Recession was nothing short of a fiscal disaster for the City. General fund revenues plunged from about \$203 million to \$166.5 million in one year and kept falling with a projected low of \$156.8 million as of your Quarter 2 Budget Report. This revenue implosion coincided with growing costs for debt service, retiree medical coverage and compensation and benefits for employees. The City initially drew down any and all reserves, followed by deep cuts to services and reductions in any discretionary cost categories. Eventually the City was forced to declare a fiscal emergency and unilaterally implement employee compensation and benefit cuts. When these efforts all proved insufficient the City was forced to enter the AB506 mediation process and finally bankruptcy in order to address debt, labor and retiree medical cost obligations.

In other words, the City of Stockton was and remains service insolvent, meaning it is unable to pay all costs of providing services at the level and quality required for community health, safety and welfare. The budgets for fiscal years 2008-09, 2009-10 and 2010-11 combined to implement \$52 million in labor compensation reductions and \$38 million in staffing and service level reductions, for a total of \$90 million in cuts, equivalent to a 36% reduction in the general fund budget.

Employee compensation was reduced to levels that surveys now show to be below the labor market. Depending on the labor group, compensation was cut between 12% and 34%, including the following impacts:

- Furloughs since 2008

- Salary COLAs eliminated beginning in 2008
- Employees paying their own employee retirement contribution of 7-9% of salary
- Medical plan design changes resulting in higher deductibles and co-pays, with a cap on City contribution
- Add-pays, deferred compensation, longevity, education, uniform allowances either eliminated or reduced
- Reduction in leave accruals and change in sick/vacation leave cash outs at retirement

Staffing level reductions resulted in the following general fund position cuts:

- Sworn police officers down 25% (-98 FTE)
- Non-sworn police staffing down 20% (-47 FTE)
- Fire staffing down 30% (-76 FTE)
- Non-safety staffing down 43% (-203 FTE)

In addition to 424 total general fund position cuts (31% of total), a net reduction of 42 positions in all other funds resulted in a loss of 466 positions for all funds, or 25% of the entire City workforce. Back when the budget cuts began in FY 2008-09, about 69% of general fund expenditures were allocated to labor costs, and most labor costs (86%) were for public safety. As a result, Stockton has been unable to avoid making reductions in police and fire services, despite the fact that the City ranks low in median income and high in total crime rate. The following factors highlight why the impact of these public safety reductions is more critical in Stockton than in most other California cities.

Police Service Impacts: Low staffing levels have had the following significant impacts on safety for the community:

- Activation of a “condition blue” during times of peak activity where residents must use on-line or telephone reporting and depending on the type of report, the department may only respond to crimes-in-progress.
- Elimination of the School Resource Officer Program which puts the burden on school districts to provide funding for a law enforcement presence on campus. This has contributed to a rise in juvenile crime and gang membership.
- Reduction in gang and drug focused missions to only those funded with grants or outside agencies. Gang-related homicides have increased 525% in three years
- Elimination of the Narcotics Enforcement Team resulted in an increase of drug trafficking within the City and also reduces the funds received through disposition of asset forfeiture

proceeds. These proceeds are used to fund capital equipment and other one-time needs such as tactical gear, weapons and protective equipment critical to equipping sworn staff.

- Significant cutbacks to Proactive Policing Strategy have erased all progress made in the mid-2000s, returning the city to the high crime rates and overwhelming perception that the city is no longer a safe place to live, work or raise a family. A limited Proactive Policing Strategy is employed only on a case-by-case basis. However, there is a complete inability to sustain any efforts after a major mission. The officers are simply too busy responding to calls and cannot get out of their cars to interact with the community as part of any community policing effort. The detectives group has been greatly reduced, thus triaging what crimes they do investigate.
- Reduction of Community Service Officers has severely limited the ability of the Police Department to attend community meetings and respond to non-emergency accidents and calls for service including traffic control and parking enforcement (which has also reduced traffic violation revenue).

Fire Service Impacts: Sworn staffing has been reduced from 225 total sworn positions at the beginning of FY 2010-11 to the current level of 181 for a total reduction of 44 positions, a reduction of nearly 32% in the past 24 months. Staffing on each piece of equipment has been reduced by one person per company, with truck companies currently staffed at four persons, and engine companies staffed with three personnel. In addition, one fire station and one engine company have closed due to the reduced staffing plan. These reductions have had the following major service impacts on the community:

- Reduction in the number of trucks assigned in the northern half of the City, which increases the response time for a second truck company, when required, on all structure fires.
- Increase in response times for engines located outside of the Fire Station One area by 1-3 minutes on average and an average increase in 5 to 7 minutes to residents and businesses within in the Fire Station One area.

Exacerbating these impacts are the following workload demands:

- The Fire Department responded to more than twice the number of fire calls of Fresno, Sacramento, or Oakland, each of which have 50,000-150,000 more in total population served and have more than twice the on-duty staffing.
- The Fire Department responded to 483 working structure fires in 2011, compared to 599 in the City of Fresno, 273 in the City of Oakland and 444 in the City of Sacramento. The City of Stockton has fewer than half the fire sworn staffing of the Cities of Fresno, Oakland, and Sacramento.
- AMR (the paramedic service provider in Stockton) exceeded its maximum emergency response time every 4 hours in the City of Stockton, compared to exceeding that response time criteria only every 70 plus hours in the cities of Lodi and Tracy.

Public Infrastructure and City Facility Impacts: The City has been unable to dedicate sufficient dollars of regular and periodic maintenance of the city's public infrastructure or facilities for many years. The general fund contributed just \$575,000 in FY 2012-13 to capital improvements, with no funding programmed in the FY 2012-17 Capital Improvement Program for the succeeding four years of the proposed five-year program. While not a complete list, the following illustrates the magnitude of the deferred maintenance and capital investment:

- *Vehicles:* The replacement backlog is \$8.5 million, with 172 units past their useful life.
- *Trees:* About \$3.1 million is needed to bring the urban forest up to an acceptable standard, with an additional \$3.5 million is needed annually to provide proper maintenance.
- *Roadways:* Approximately \$10 million per year is needed to maintain the City's roadways in their current condition; the City's current street maintenance program allocates only \$2 million per year. The current condition can be quantified using a Pavement Condition Index (PCI) which provides an overall rating between 0 and 100 of the entire pavement in a community. The current PCI for Stockton is 66, which, while in the middle of the fair range, will degrade 2 to 3 points per year. If the network is allowed to deteriorate, repairs become more expensive as cost effective maintenance strategies are no longer feasible.
- *Parks:* About \$12 million would be required to bring play areas, park furnishings, irrigation systems, buildings, courts, ball fields, and flatwork up to a standard level, able to be maintained in the future.
- *City Facilities:* The proposed program to provide critically needed improvements to City Hall includes \$7 million to replace the roof, replace the HVAC system, and update interior finishes. For a complete renovation, the cost is likely double that amount (\$14 million). Other City facilities would require at least \$6 million to catch up on maintenance, not including about \$7 million for roof repair alone.

Library Service Impacts: A reduction in the Stockton-San Joaquin County Public Library system-wide operating hours by 28% and staffing levels by 50%. Customer services and literacy programs in the libraries have been reduced and there are fewer books and library materials available to the public, as well as long wait times for materials that are available. Specific reductions in library services include:

- Reduction of open hours by 48% and 11% in City and County branches, respectively.
- Reduction of Mobile Library hours by 60%.
- Reduction in books and materials by 50% over the last six years, which severely impacts the ability to acquire new format materials, e.g., digital books.
- Suspension of Homework Center Grants offered to elementary and middle school students

with low grade point averages and limited opportunities which put them at educational risk.

Community Program Service Impacts: As a result of the elimination of 15 full-time positions and an 80% reduction in part-time hours, Recreation programs have experienced significant service reductions including:

- Partial Closure of the McKinley Community Center in 2009. Most of the recreation programs were moved to other community centers, so residents have to travel further to participate in these recreation opportunities.
- Reduction in operating hours at all other community centers of 20%.
- Fewer recreational classes.
- Decrease in operational hours at the Children's Museum, Pixie Woods amusement park, and Oak Park Senior Center.
- Consolidation of After School Program (ASP) sites resulting in reduced programs for at-risk youth.

Internal Support Needs: What is invisible to most citizens is the degradation of programs necessary to support all services, including public safety.

- The internal self-insurance funds were gradually drained of their resources to the point our workers compensation fund has a negative \$43 million fund balance. Our liability fund has a negative \$5 million fund balance.
- Our technology systems have not been replaced in a timely fashion. For example, our financial system is 21 years old, with an estimated replacement cost of \$10 million.

This level of cuts, while unheard of among California cities, was still not enough to avoid insolvency. To be truly sustainable, many of these prior cuts will have to be reinstated at some point. As emphasized in its AB506 restructuring proposal, the City must remain viable as a municipality by achieving a sustainable fiscal position and regain service solvency. Chapter 9 was the only possible option for creating a viable foundation to meet these goals. However, while the restructuring savings achievable only under Chapter 9 are vitally necessary, they are insufficient, even with all of the prior City budget cuts, to resolve the City's financial woes, without additional resources.

Bankruptcy Process

The City has experienced massive budget deficits for the past several years, owing to the economic collapse of the Central Valley economy during the Great Recession, an excessive debt burden amassed by the City since 2003, the granting of unsustainable labor contracts and retiree medical benefits, past financial miscalculations and the elimination by the state of redevelopment agencies. Even after implementing \$90 million of extraordinary service reductions, privatization measures and

huge employee compensation reductions, the FY 2012-13 Budget faced a shortfall of \$26 million.

In February 2012 the City implemented budget corrections to retain a balanced budget through June 30, and started the AB506 mediation process in an effort to avoid bankruptcy. During the AB506 process some participants worked very hard to understand the City's financial status and many tried to reach agreements that would improve the City's unsustainable financial position. The City was required by its Charter and by state law to adopt a balanced budget by June 30, and so on June 26, 2012 the City closed its remaining deficit by approving the 2012-13 Pendency Plan. The Pendency Plan suspended debt payments, phased out all retiree medical benefits over one year, continued reductions of pay and benefits imposed under previous Declarations of Fiscal Emergency and reduced compensation components that exceeded those in the City's labor market to close the \$26 million gap.

The City's eligibility for bankruptcy was immediately challenged by a consortium of financial debt creditors consisting of Assured Guaranty, National Public Finance Guaranty and Franklin Funds, collectively known as the Capital Markets Creditors. While the eligibility issue was being litigated, the City's bankruptcy Judge, the Honorable Christopher Klein, ordered the City to mediate obligations in dispute and appointed Judge Elizabeth Perris to act as our Mediation Judge.

In mediation with Judge Perris, the hard work and good faith efforts of the City's labor team and labor groups begun in AB506 continued, resulting in six amended labor agreements by July 24, 2012. Another two agreements with labor were reached on August 28, 2012. Those agreements resulted in waiving claims to prior imposed pay and benefit reductions, achieving approximately 85% of the original AB506 ask with respect to future savings, and avoided further litigation costs between the labor groups and the City.

In March 2013 the City was able to negotiate a tentative agreement with Ambac relating to the 2003 Certificates of Participation debt obligation. This agreement was finalized in April 2013.

As mentioned above, the Capital Markets Creditors challenged the City's eligibility for bankruptcy, which consumed months of effort. This legal process culminated in Judge Klein's ruling on April 1, 2013 granting Stockton access to bankruptcy protection, in which he ruled that Stockton officials and financial experts had demonstrated the City was indeed insolvent on June 28, 2012, that it needed the muscle of Chapter 9 to maintain its viability and that the City had acted in good faith. Through this bankruptcy case the judge has made another important decision. He confirmed that the judiciary cannot tell the City Council how to run itself and spend its money. We believe this is an important decision that greatly reduces the risk of seeking more tax revenues before the judge actually rules on a bankruptcy Plan of Adjustment. Since then the City has continued to be engaged in mediation efforts with retirees, bond creditors and other claimants.

In June 2013 the City was able to reach a tentative agreement with one of the largest creditors in the bankruptcy, the Association of Retired Employees of the City of Stockton (approximately 1,100 retired individuals who had been promised lifetime medical insurance coverage at no cost for the

retiree and a spouse). This agreement should be finalized in July 2013.

We also have a tentative agreement with the Marina Towers group.

We have continued to mediate with the remaining creditors which consist of

- The Capital Markets Creditors (Assured, NCFG and Franklin), which have five secured and one unsecured debt obligation between them
- Sports teams (the Stockton Thunder and Ports), which are both subsidized by the City
- Two legal settlements known as the Price and Jarvis matters
- The State of California Department of Boating and Waterways relative to loan funding for the Stockton Marina

Our schedule calls for submittal of a plan of adjustment in the third Quarter of 2013 which will set the stage for a final resolution via a litigated confirmation process. Once the plan is approved it becomes the basis for exiting bankruptcy. However, I do not think Stockton's recovery of much needed services should be held hostage to an unknown court schedule and creditor actions.

Bankruptcy presents a special challenge in the context of voter consideration of a new general tax measure. It introduces some uncertainty but because of the previously mentioned judge's decision we think it is a manageable risk. As I said earlier, neither the Court nor the creditors override the discretion of the elected City Council to determine the requirements for the municipal corporation and to make decisions about the allocation of the resources available. Stockton has been completely honest and transparent about the need to obtain additional general fund revenues for the purposes of addressing the critical public safety needs which exist and addressing the other critical needs of the City. We have shared this fact with creditors.

In addition, such revenues are necessary to allow the City to meet the requirements of the restructuring proposals which have been made in the AB506 process and bankruptcy mediation. Any plan of adjustment approved by the judge will be contingent on voter approval, anyways. Thus, voter approval of more resources makes for a stronger plan from the City. The Court has rebuffed efforts by the creditors to submit alternative spending proposals which are implicitly anchored in alternative public policy determinations, in order to substitute them for the considered determinations actually made by the elected City Council. Our proposal to submit a general tax measure for consideration is shaped by the fact that such a tax best meets the needs of the City and its citizens, and the settled law under Chapter 9. The City retains its ability to make the determinations about resource allocation which are fundamental to elected representative governance.

DEVELOPMENT OF MARSHALL PLAN TO IMPROVE PUBLIC SAFETY

In April 2012 the City initiated development of a Marshall Plan to reduce homicides and violence. This is a multi-generational chronic problem that has only gotten worse with a hard economy and reduced police staffing levels, as illustrated by the following points:

- The City of Stockton has the second highest total crime rate per capita for any city with a population of 100,000 or greater in California.
- While violent crime rates dropped 5.5% nationwide in 2010, they were up in Stockton, which ranked 10th in the entire U.S. with 13.81 violent crimes per 1,000 residents.
- Despite this high service demand, budget cuts have reduced sworn police staffing from 1.52 per 1,000 residents in 2005 to 1.17 currently (before addition of 17 grant-funded positions), which is the lowest ratio for cities over 250,000 population, notwithstanding our high crime rate.
- The City has a lower level of sworn police staffing than has been recommended by industry standards or which is observed in other similar service settings. The 2006 Braga study recommended sworn officer staffing levels at 2.0 per 1,000 residents, which even with the pending addition of 17 grant-funded officers, would require the addition of 240 police officers at a total annual cost (including equipment and support costs) of \$50 million when fully implemented in FY 2020-21.

As the Marshall Plan report endorsed by the City Council stated, violence is a learned and contagious behavior perpetrated by a relatively small number of individuals. There is no single solution to violence, and the Marshall Plan has engaged key stakeholders in the community and criminal justice system to develop workable strategies. This will require a significant financial commitment by the City in excess of \$20 million annually.

With five of the six City Council Town Hall Meetings concluded, the feedback has been cautiously supportive. The most common concern revolves around past Council decisions in the areas of employee compensation, retiree health and new business ventures (debt and operating subsidies). Other feedback on the Marshall Plan was consistent with what you heard at your Council meeting, e.g. we need additional employment opportunities and can we really impact the balance of the criminal justice system. On the topic of mistrust due to previous decisions, I will be submitting a tax proposal on July 9 that responds to these concerns.

Table 1 shows the projected cost by major element of the Marshall Plan, including additional sworn officers added over a three-year period, and staffing level relative to population. Officer costs include supervisory positions needed for an expanded force, vehicles, equipment and overtime. Salaries and benefits include projected future cost increases. Support positions include additional crime analysts and records assistants needed to service the increased number of officers and a small Office of Violence Reduction, whose sole focus will be to ensure the sustainability of the Marshall Plan goals. Operation Ceasefire (currently grant-funded) would be continued and Operation Peacekeepers would

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be expanded. Neighborhood improvement programs include expanded code enforcement and neighborhood “blitz” teams.

Table 1

	Projected Marshall Plan Cost Over General Fund Forecast									
(\$ in Millions)	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21
New Officers	-	-	-	40	40	40	-	-	-	-
Total Sworn FTE	345	362	362	402	442	482	482	482	482	482
Est City Pop (000)	295.0	296.5	297.9	299.4	300.9	302.4	303.9	305.5	307.0	308.5
Sworn FTE/1000 Pop	1.17	1.22	1.22	1.34	1.47	1.59	1.59	1.58	1.57	1.56
Costs:										
New Officers	-	-	-	\$6.64	\$12.72	\$19.37	\$19.98	\$21.51	\$23.10	\$24.44
Support Staff	-	-	-	0.52	0.60	0.75	0.76	0.78	0.79	0.81
Violence Reduction Offi	-	-	-	0.25	0.26	0.26	0.27	0.27	0.28	0.28
Ceasefire/Peacekeepers	-	-	-	0.61	0.63	0.64	0.65	0.66	0.68	0.69
Neighborhood Imprvmt	-	-	-	1.31	0.71	0.52	0.53	0.54	0.55	0.56
Total Cost	-	-	-	9.33	14.91	21.53	22.18	23.76	25.40	26.78

TRANSACTIONS AND USE TAX TO FUND THE MARSHALL PLAN AND OTHER CRITICAL NEEDS

In fall 2012 the City polled likely voters to assess attitudes toward a potential ballot measure to enact an additional local sales tax rate. In January 2013, Mayor Silva proposed a special tax initiative devoted to public safety. On April 2 the City Council discussed that proposal and concerns about harming our bankruptcy efforts and exacerbating the general fund’s financial condition. The Council directed me to facilitate town hall meetings on the Marshall Plan and return with a funding proposal for it. Following discussions with business leaders the City was urged to bring forward a general tax proposal that would both balance the general fund budget and fund the Marshall Plan for improved public safety, which will be the measure before you on July 9.

A local sales tax, technically known as a transactions and use tax, requires voter approval. Normally, a general tax requiring majority voter approval must appear on a municipal ballot along with council elections. The next Stockton municipal ballot does not occur until June 2014, which is too long to wait given the City’s dire financial condition and the need to begin recovery. However, pursuant to Section 2(b) of Article XIII C of the California Constitution, the City Council may, upon declaration of a fiscal emergency by a unanimous vote of the members of the Council present at the public hearing, submit the proposed transactions and use tax as a special election, in this case consolidating it with the county’s uniform district election of November 5, 2013.

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As shown by the magnitude of the budget cuts already enacted, the City is not in a position to absorb any more cuts. The only alternative to further reducing public services is additional tax revenue. The California Constitution requires voter approval for new taxes, and a number of other California cities have taken tax proposals to their residents in recent years. As reported by the California Local Government Finance Almanac, on the November 2012 statewide ballot a total of 48 of 60 city general tax (majority vote) measures were passed (80% approval rate), while 5 of 15 city special tax (two-thirds vote) measures passed (33.3% approval rate). As to local transactions and use tax measures specifically, 31 of 33 city general tax measures passed (93.9% approval rate) versus 1 of 3 city special tax measures (33.3% approval rate). This recent level of success of general taxes is significantly higher than the outcome for such measures since 1995, as shown in Table 2.

Table 2

City Transaction and Use Tax Measures (1995-2013)				
	<u>Passed</u>	<u>Failed</u>	<u>Total</u>	<u>% Passed</u>
General Tax	115	54	169	68.0%
Special Tax	27	28	55	49.1%
Total	142	82	224	63.4%

Table 3 breaks down the city transaction and use taxes currently in effect by level of tax rate. Section 7285.9 of the Revenue and Taxation Code provides that a city may levy a transactions and use tax in multiples of 0.125% provided all overlapping tax rates do not exceed 2.00%. No city in California has ever levied greater than a combined 1.00% local rate. There are 10 other cities that have two transaction and use tax rates, as would Stockton if this measure is enacted. Stockton has the 0.25% Measure W rate now, and adding 0.75% would go to the maximum any other city is charging. For competitive reasons, it would not be prudent to go in excess of this amount.

Table 3**Transaction and Use Taxes Currently in Effect**

<u>Rate</u>	<u>General Tax</u>	<u>Special Tax</u>	<u>Total</u>
0.250%	14	6	20
0.375%	1	0	1
0.500%	59	17	76
0.750%	6	2	8
1.000%	20	0	20
City Total	100	25	125
Other Agencies			39
Grand Total			164

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The City's poll of likely voters last fall showed an initial 71% support for a 0.75% general sales tax to "improve and maintain essential City services, which may include a community-wide plan, developed by local leaders and criminal justice experts, with strategies to reduce crime in Stockton, including expanding the police force, improving 9-1-1 emergency response services, increasing anti-gang and crime prevention programs, and other general services such as street repair, libraries and parks." After hearing both pro and con arguments the level of support moved to 68%. Alternatively, only 21% supported a measure whose proceeds "would primarily provide funding to pay existing debt holders, employee compensation and benefits, and city paid retiree medical benefits, but would not improve existing services or restore services that have previously been cut."

PROPOSED TAX

The proposed ballot measure language is currently being drafted and will be available during the normal publication of the July 9 City Council Agenda. The proposed new tax would be a 0.75% transaction and use tax (sales tax) that as a general tax requires a majority voter to enact. It is expected to produce approximately \$28 million in its first full year and grow at a rate of about 3.5% annually. Over a ten-year period approximately \$219 million would be used to fund the Marshall Plan, and approximately \$112 million would be used to fund the City's exit from bankruptcy. With a three-year phase-in to full additional police staffing, and the need to eliminate the remaining general fund shortfall and re-establish reserves at the outset, in the initial years a larger proportion of funds would be devoted to the Bankruptcy Recovery Plan. By year four and thereafter the added public safety services would require 70-75% of the additional tax revenues; over time the ratio is projected to be approximately 66% for Marshall Plan expenses and 34% for the Bankruptcy Recovery Plan and other services. Given the well documented poor practices of the past, I will be recommending very unique accountability measures in the tax ordinance that ameliorate the risks going forward.

Table 4 shows the recent and future changes in total sales tax rate applicable in Stockton, assuming implementation of a 0.75% transactions and use tax.

Table 4

Change in Total Sales Tax Rate in Stockton		
<u>Rate</u>	<u>Date</u>	<u>Action</u>
8.00%	1/1/12	Before Prop 30
8.25%	1/1/13	After Prop 30
9.00%	4/1/14	Approval of New Tax
8.75%	1/1/16	Prop 30 Expires

Table 5 compares the current and proposed level of total sales tax rate in Stockton to the current total rates applicable in surrounding jurisdictions.

Table 5
Surrounding Jurisdiction Tax Rates

9.000%	Lathrop
9.000%	Livermore
9.000%	Stockton (proposed)
8.625%	Fairfield
8.500%	Manteca
8.500%	Sacramento
8.500%	Tracy
8.250%	Stockton (current)
8.000%	Elk Grove
8.000%	Lodi
7.625%	Modesto

FINANCIAL SUMMARY

Revenue Generating Capacity

If the tax is approved on the November 5, 2013 ballot, it will take effect on April 1, 2014, and the City will accrue one quarter's worth of revenue (approximately \$6.8 million) for FY 2013-14, with full year collection starting in FY 2014-15 at approximately \$28 million annually.

A transaction and use tax may raise less (or more) than the equivalent rate of sales tax due to special provisions affecting vehicle sales and other transactions that are based on residency of the buyer, rather than location of the sale. HdL Companies, a sales tax consultant, summarizes the revenue effect as follows: "In projecting revenues, cities who serve a regional market for vehicles or merchandise to be delivered elsewhere such as contractor materials or industrial equipment and goods, will find that their transactions and use tax is proportionally lower than their sales tax revenues. A city whose residents and businesses must shop outside the city for vehicles and business and construction related goods, will find that their transactions and use tax receipts are proportionally higher than their sales tax revenues."

As a regional market, a transactions and use tax in Stockton would raise proportionately less than its sales tax revenue, which is the experience with the City's current 0.25% tax for public safety (Measure W), which generates around 94.6% of a comparable rate of sales tax. The revenue projected from the proposed 0.75% tax is based on the revenue-generating capacity of Measure W (i.e., three times the revenue collected from Measure W's 0.25% tax rate).

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Table 6 shows the projected use of the new tax proceeds between balancing the general fund budget (Bankruptcy Recovery Plan) and improving public safety services (Marshall Plan). Initially more proceeds are devoted to bankruptcy recovery, and then as Marshall Plan costs are fully phased in, more proceeds will be used to fund this improvement in public safety services. Over a ten-year period, it is estimated that safety services will consume approximately 66% of total tax proceeds, and balancing the general fund budget and emerging from bankruptcy will require approximately 34% of total tax proceeds.

Table 6

Projected Use of New Tax Revenue Over Ten Year Period											
(\$ in Millions)	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24
New Tax Revenue	\$6.9	\$28.4	\$29.4	\$30.4	\$31.5	\$32.7	\$33.8	\$35.0	\$36.2	\$37.5	\$29.1
Marshall Plan	-	\$9.3	\$14.9	\$21.5	\$22.2	\$23.8	\$25.4	\$26.8	\$27.0	\$27.5	\$21.0
% Annual Use of Tax	0%	33%	51%	71%	70%	73%	75%	77%	75%	73%	72%
% Cumulative Use	0%	26%	37%	48%	54%	58%	61%	63%	65%	66%	66%
Bankruptcy Recovery	\$6.9	\$19.1	\$14.5	\$8.9	\$9.4	\$8.9	\$8.4	\$8.2	\$9.2	\$10.0	\$8.1
% Annual Use of Tax	100%	67%	49%	29%	30%	27%	25%	23%	25%	27%	28%
% Cumulative Use	100%	74%	63%	52%	46%	42%	39%	37%	35%	34%	34%

General Fund Forecast

Unless this tax is approved by the voters, the City will continue to run shortfalls. Tables 7, 8 and 9 on the following pages are based on 2011-12 financial statements pending audit and 2012-13 projections as of your Quarter 2 Budget Report. Table 7 shows the annual general fund shortfall and ending fund balance after Chapter 9 restructuring savings, but without both the Marshall Plan and new tax revenue, over the City's 10-year forecast period; the annual shortfall ranges from \$8.6 million in FY 2013-14 to \$79.1 million by FY 2020-21, and deficits begin in FY 2014-15.

Table 7

Summary Forecast After Chapter 9 But No Marshall Plan and No New Tax										
(\$ in Millions)	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21
Total Revenue	\$160.3	\$156.8	\$159.5	\$161.5	\$165.5	\$171.1	\$176.0	\$181.1	\$186.3	\$190.1
Total Expenditures	166.8	156.9	159.5	170.1	177.0	179.1	186.0	192.9	200.7	204.9
Net Annual	(6.6)	(0.1)	-	(8.6)	(11.5)	(8.0)	(10.0)	(11.8)	(14.4)	(14.8)
Beginning Balance	6.6	0.1	-	-	(8.6)	(20.1)	(28.1)	(38.1)	(49.9)	(64.3)
Ending Balance	0.1	0.0	-	(8.6)	(20.1)	(28.1)	(38.1)	(49.9)	(64.3)	(79.1)
Bal as % of Total Exp	0.0%	0.0%	0.0%	-5.0%	-11.3%	-15.7%	-20.5%	-25.9%	-32.0%	-38.6%

Table 8 shows the impact of adding the cost of the Marshall Plan to Chapter 9 savings, but without the new tax, which results in annual shortfalls \$17.9 in FY 2014-15 to \$223.0 million by FY 2020-21; the ending fund balance falls dramatically farther into deficit.

Table 8

Summary Forecast After Chapter 9 With Marshall Plan But No New Tax										
(\$ in Millions)	<u>11-12</u>	<u>12-13</u>	<u>13-14</u>	<u>14-15</u>	<u>15-16</u>	<u>16-17</u>	<u>17-18</u>	<u>18-19</u>	<u>19-20</u>	<u>20-21</u>
Total Revenue	\$160.3	\$156.8	\$159.5	\$161.5	\$165.5	\$171.1	\$176.0	\$181.1	\$186.3	\$190.1
Total Expenditures	166.8	156.9	159.5	179.4	191.9	200.6	208.2	216.7	226.1	231.7
Net Annual	(6.6)	(0.1)	-	(17.9)	(26.4)	(29.5)	(32.2)	(35.6)	(39.8)	(41.6)
Beginning Balance	6.6	0.1	-	-	(17.9)	(44.3)	(73.8)	(106.0)	(141.6)	(181.4)
Ending Balance	0.1	0.0	-	(17.9)	(44.3)	(73.8)	(106.0)	(141.6)	(181.4)	(223.0)
Bal as % of Total Exp	0.0%	0.0%	0.0%	-10.0%	-23.1%	-36.8%	-50.9%	-65.4%	-80.2%	-96.2%

Table 9 shows the impact of adding a 0.75% local sales tax, as well as the cost of the Marshall Plan and Chapter 9 savings, which results in a balanced budget throughout the forecast period, with reserve levels averaging approximately 8% for the period of FY 2013-14 through 2020-21. While the balance declines in the latter years of the City's 10-year forecast, beyond that forecast period the rate of decline slows in the mid-2020's and the general fund is projected to avoid going into deficit due largely to the expected long-term trend of pension costs.

CalPERS rates are projected to increase significantly through 2020 due to recently adopted rate smoothing and unfunded liability amortization policies, an expected further reduction in the discount rate (actuarial investment return), and other changes. However, the Public Employee Pension Reform Act (PEPRA) grants lower benefits to new employees, so savings will accrue over time with turnover in the workforce. Also, under the smoothing and amortization changes the City pays more in the near-term, but less later on. As a consequence of this restructuring, pension contribution rates as a percent of payroll will level off and then begin to decline, resulting in projected annual surpluses and increasing fund balance by the late 2020's. The City is projecting this rate of decline at a much more conservative rate than that discussed by CalPERS staff.

Table 9

Summary Forecast After Chapter 9 With Both Marshall Plan and New Tax										
(\$ in Millions)	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21
Total Revenue	\$160.3	\$156.8	\$166.4	\$190.1	\$195.3	\$202.0	\$208.0	\$214.2	\$220.5	\$225.3
Total Expenditures	166.8	156.9	159.5	179.4	191.9	200.6	208.2	216.7	226.1	231.7
Net Annual	(6.6)	(0.1)	6.9	10.8	3.4	1.3	(0.2)	(2.5)	(5.6)	(6.3)
Beginning Balance	6.6	0.1	-	6.9	17.6	21.0	22.3	22.2	19.7	14.0
Ending Balance	0.1	0.0	6.9	17.6	21.0	22.3	22.2	19.7	14.0	7.7
Bal as % of Total Exp	0.0%	0.0%	4.3%	9.8%	11.0%	11.1%	10.6%	9.1%	6.2%	3.3%

ALTERNATIVE TO NEW TAX REVENUE IS ADDITIONAL BUDGET CUTS

The alternative to enacting a new tax is to make additional reductions in service levels. Otherwise, the City cannot present a viable Plan of Adjustment for exiting bankruptcy.

- Balancing the general fund budget without both the Marshall Plan and new tax would require a 7% reduction in the total general fund expenditures remaining after Chapter 9 restructuring. This would generate approximately \$11 million in savings when fully implemented in FY 2014-15 (half that amount in FY 2013-14 by the time cuts could be started), with growth in the value of the avoided costs over time.
- Balancing the general fund budget with the Marshall Plan but no new tax would require a 15% reduction in total general fund expenditures remaining after Chapter 9 restructuring, which would generate approximately \$26 million in savings when fully implemented in FY 2014-15 (half that amount in FY 2013-14 by the time cuts could be started), with growth in the value of the avoided costs over time.

Additional budget cuts in this range of \$11-26 million, especially if the weight of cuts were borne by non-safety services, would seriously undermine the long-term viability of Stockton. Even if the Marshall Plan is adopted, the City's viability is not determined by public safety services alone. As important as is public safety, citizens and businesses don't move to or stay in a city solely on the basis of police services. Parks, libraries, recreation and/or entertainment opportunities, schools, employment opportunities, reputation, sense of safety, predictability and lifestyle are all part of a city's long-term viability.

Table 10 shows the type of budget cuts that might be required in the absence of new tax revenue. These items were on a contingent cut list from the FY 2011-12 budget and total \$22 million. This is more than enough to balance the general fund budget without the Marshall Plan, or just enough to

balance the budget while funding about 75% of the Marshall Plan.

Table 10

**Example of \$22 Million in Additional Cuts That Might Be Required in the Absence
New Tax Revenue Based on Contingent Departmental Cut List from 2011-12 Budget (**

<u>Non-Safety:</u>		<u>Fire:</u>	
Admin, CC, Non-Dept-cut 5 FTE	\$354	Truck 2-cut 1 FF/sh	\$405
Admin Svc-cut 9 FTE	442	Truck 3-cut 1 FF/sh	405
Auditor-15% reduction	65	Truck 7-cut 1 FF/sh	405
City Atty-cut 1 advisory atty	126	Close Engine 6	1,351
City Clerk-cut 1 FTE	79	Close Engine 11	1,351
Econ Dev-15% reduction	103	Close Engine 14	1,351
Ent Venue-reduce maint/other	244	Close Truck 3	1,351
Ent Venue-close ballpark	366	Other savings	65
Develop Svcs-elim GF subsidy	1,000	Reduced Fire Dist reimburse	<u>(662)</u>
Golf-close Van Buskirk	250	Subtotal Fire Dept	<u>6,022</u>
CIP-cut GF funding	575		
HR-reduce training	80	<u>Police:</u>	
HR-cut 3 FTE	184	Cut 30 CSOs (net of rev loss)	1,751
Library-cut 7 FTE/31% fewer hrs	500	Records staff cut 3 FTE	199
Library-cut landscaping 50%	10	Telecommunication cut 3 FTE	267
Rec-cut 3 FT/3 PT	242	Investig/traffic/other cut 14 f	1,139
Rec-after school reduction	48	Traffic section cut 12 FTE	1,368
Peacekeepers-cut GF 15%	27	Investig cut 21 FTE (6 left)	2,543
PW-park maint to min levels	185	Patrol cut 31 FTE	<u>3,727</u>
PW-cut water use 50%	165	Subtotal Police Dept	<u>10,994</u>
PW-cut 1 FTE, fund shift to Gas	170		
Subtotal Non-Safety Depts	<u>5,214</u>	Grand Total Cuts	<u>22,230</u>

It would be difficult, however, to implement the Marshall Plan while simultaneously cutting other key elements of the Police Department. Table 11 shows that if the \$11 million in Police cuts were spread to other departments, the percentage impact jumps to unsustainable levels: if both Police and Fire were held harmless from cuts of this magnitude, non-safety would suffer a 54% reduction in budget levels.

Table 11

Sample Impact Assuming Re-Allocation of Contingent Cut List Among Safety and Non-Safety Departments (\$ in 000)				
(\$ in 000)	Other <u>Depts</u>	Fire <u>Dept</u>	Police <u>Dept</u>	<u>Totals</u>
Cuts from Contingent List	\$5,214	\$6,022	\$10,994	\$22,230
% Cut (13-14 dollars)	13%	17%	13%	
No Cuts to Police	11,125	11,105	-	\$22,230
% Cut (13-14 dollars)	27%	31%	0%	
No Cuts to Police+Fire	22,230	-	-	\$22,230
% Cut (13-14 dollars)	54%	0%	0%	

These impacts are limited to the \$22 million value of the cuts on the existing list. Cutting the entire \$26 million needed to both balance the budget and fund the full Marshall Plan, without affecting the Police and Fire departments, would boost the cuts to the remaining non-safety departments from 54% to 62%. All of this comes on top of previously implemented cuts totaling 36% of total general fund expenditures. Even if none of these cuts came from the Police Department, this action would be like building a structure on a crumbling foundation. It would be difficult, if not impossible, to run the entire City without the administrative, planning, financial and other support functions that would be largely eliminated through an effort to balance the general fund budget, and pay for the Marshall Plan, without any additional resources.

CONCLUSION

It is recommended that the City Council call for a public hearing for July 9 and consider placing a tax measure before the voters for approval on November 5, 2013. On July 9 it will be recommended that the Council adopt the Resolution calling the election, and approve the Ordinance establishing the terms and conditions of a sales tax for consideration by the voters. First reading of the ordinance is done by Council and under state law the second reading is the action by voters at the election.

Funding Proposal for Stockton's Marshall Plan on Crime and Recovery from Bankruptcy

Stockton City Council Meeting
June 25, 2013



Background

- This is a key milestone in a long journey
- January 28, 2011, Council adopted 4 goals
 - **Get Our Fiscal House In Order**
 - **Improve Public Safety**
 - Improve Economic Development
 - Increase Organizational Capacity
- May 17, 2011, Council approved Marshall Plan Project
- February 18, 2013, new Council reviewed & reaffirmed direction
- 2 City Councils have stayed the course!
- You are getting close to realizing your goals

Overview

- Two basic needs require additional resources:
 - Marshall Plan – Expand police services, hire 120 officers, reduce crime & violence
 - Bankruptcy Recovery Plan - balance GF budget without further reducing public services, maintain adequate reserve
- Chapter 9 is necessary but not sufficient
 - \$11M annual shortfall even after all restructuring savings that can be achieved via bankruptcy
 - Chapter 9 not concluded, but public safety needs cannot wait until June 2014; tax vote needed this fall
- Recommend $\frac{3}{4}$ cent general sales tax on Nov 5, 2013 ballot; requires majority voter approval and unanimous vote by City Council
 - City already service insolvent, having cut \$90M (36%) of budget
 - Additional cuts would be intolerable – following is summary of cuts made to date

Compensation Reductions

- \$52M in labor compensation reductions (58% of total)
 - Furloughs since 2008
 - Salary COLAs eliminated since 2008
 - Employees paying own PERS contributions (7-9% of salary)
 - Medical plan changes (higher deductibles & copays, City contribution capped)
 - Elimination of retiree medical benefits
 - Add-Pays, deferred comp, other benefits eliminated or reduced
 - Reduction in leave accruals and change in sick/vacation leave cashouts at retirement
- 12-34% overall reduction per employee in total compensation
 - Many City salaries now rank lower than labor market

Service Level Reductions

- \$38M in staffing & service reductions (42% of total)
- General Fund staffing cuts:
 - Sworn police officers down 25% (-98 FTE)
 - Non-sworn police staffing down 25% (-47 FTE)
 - Fire staffing down 30% (-76 FTE)
 - Non-safety staffing down 43% (-203 FTE)
- Grand total of 466 position cut in all funds.

Police & Fire Cuts

- Public safety cuts were unavoidable:
 - Police & fire comprised 69% of GF expense, 89% of GF labor costs
- Police cuts:
 - “Condition Blue” when only crimes-in-progress response
 - Elimination of school resource officers
 - Reduction in gang & drug focused missions to those funded by grants, elimination of narcotics enforcement team
 - Limited proactive or community policing erased progress made in mid-2000’s
 - Reduction of CSO’s and traffic control/parking enforcement
- Fire cuts:
 - Staffing reduced by one person per company (now 3/engine, 4/truck)
 - One station/engine company closed

Other Department Cuts

- Planning & Development
 - Lost 57% of staff due to reduction in development
 - Increase permit center wait times, no on-line submission of applications
- Public Infrastructure
 - \$32M needed for annual street/park/tree/facility maintenance, but GF can only pay \$575K
- Library
 - Open hours cut 48%, mobile library cut 60%, books & materials cut 50%, no homework centers

Other Department Cuts

- Community Services
 - Partial closure of McKinley Community Center, house cut 20% at other centers, fewer rec classes, decreased open hours at Children's Museum, Pixie Woods, Oak Park Senior Center
- Internal Support Needs
 - Worker's Compensation Fund – negative \$43 million
 - Liability Insurance Fund – negative \$5 million
 - Technology outdated – finance system 21 years old

Bankruptcy Process

- Feb 2012: Faced \$26M shortfall, initiated AB506 pre-bankruptcy mediation process
- June 2012: Declared bankruptcy, adopted Pendency Plan
 - Continued impositions of pay/benefit reductions, phased out retiree medical, suspended debt payments
 - Bankruptcy eligibility challenged by Capital Markets Creditors
- Jul-Aug 2012: Secured 8 labor agreements
- April 2013: Judge Klein ruled City eligible for bankruptcy; Ambac agreement on 2003 COPs
- June 2013: Agreement with retirees (ARECOS) on retiree medical
 - Mediation efforts continue with bond creditors, sports teams & other claimants
- By Sept: Goal is to submit Plan of Adjustment to court

Challenge of New Tax Revenue During Bankruptcy Process

- Bankruptcy exit will not be finalized by November 5th, provides for some uncertainty; however
- Neither Court nor creditors can override Council discretion on City budgeting decisions
 - Court specifically rebuffed creditors' attempt to introduce spending plans based on alternative policy choices, seems to understand Stockton's public safety needs
- City has been completely honest & transparent about need for added revenue
 - Plan of Adjustment would have to be conditioned on receipts of additional revenue anyway
- New tax revenue must be available for eliminating remaining shortfall, increasing public safety services, and payment of creditors under Plan of Adjustment
- Recovery needs to begin ASAP so Stockton's economy can grow

Marshall Plan

- Initiated April 2012, extensive community and stakeholder involvement
- Goal: reduce homicides and violence, crime levels
 - City has highest crime rate per capita for cities of 100K and over in CA
 - 10th most violent crime rate nationally
 - Budget cuts reduced police staffing from 1.52/1000 pop to 1.17 (before grant); Braga study calls for 2.0/1000 staffing level; national average is approx. 2.0/1000

Funding Marshall Plan

- Add 120 officers over 3 years or sooner
 - Increases sworn officer staffing level to 1.6/1000 Pop
- Continue/expand Peacekeeper & Ceasefire programs
- Support staff/equipment needed for larger force
- Strategies for neighborhood improvement
- \$21M per year when phased in
 - Grows to \$27M by FY 20-21
- Creates small Violence Reduction office to obsess over Marshall Plan goals (schools, county, state, faith-based, etc.)

Transactions & Use Tax Feasibility

- Requires majority voter approval for general tax
- Poll indicates 68% support after pro & con arguments if tax includes:
 - “community-wide plan, developed by local leaders and criminal justice experts, with strategies to reduce crime in Stockton, including expanding the police force, improving 911 emergency response services, increasing anti-gang and crime prevention programs, and other general services such as street repair, libraries and parks”
- 48 of 60 city general tax measures were approved on Nov-2012 ballot (80%) vs. 5 of 15 special tax (33%)
- Specifically for transaction & use tax measures:
 - General tax: 31 of 33 were approved (94%) vs.
 - Special tax: 1 of 3 approved (33%)

Total Sales Tax Rate Levels

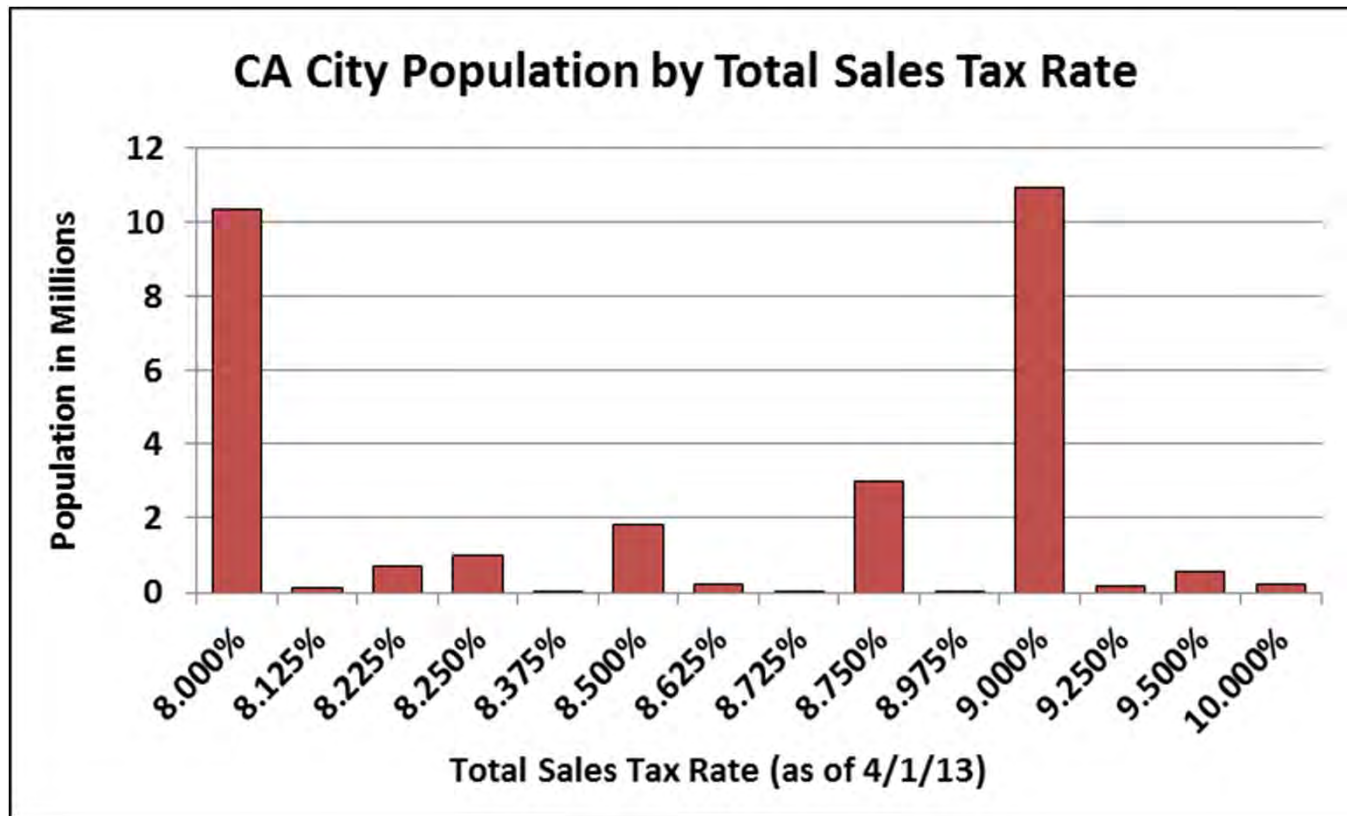
- Adding 0.75% rate to 0.25% Measure W equals 1.0% local rate; this is the maximum for CA cities:

■ 0.250%	20
■ 0.375%	1
■ 0.500%	76
■ 0.750%	8
■ <u>1.000%</u>	<u>20</u>
■ All City	125
■ Other	39
■ Total	164

- Total tax rate of surrounding cities:

■ 9.000%	Lathrop
■ 9.000%	Livermore
■ 9.000%	Stockton (proposed)
■ 8.625%	Fairfield
■ 8.500%	Manteca
■ 8.500%	Sacramento
■ 8.500%	Tracy
■ 8.250%	Stockton (current)
■ 8.000%	Elk Grove
■ 8.000%	Lodi
■ 7.613%	Modesto

Distribution of CA City Population by Rate



- Vast majority pay at either 8.0% , or 9.0% that would be Stockton's new level if proposed tax is approved

Change in Total Sales Tax Rate in Stockton

- Change in total sales tax rate:

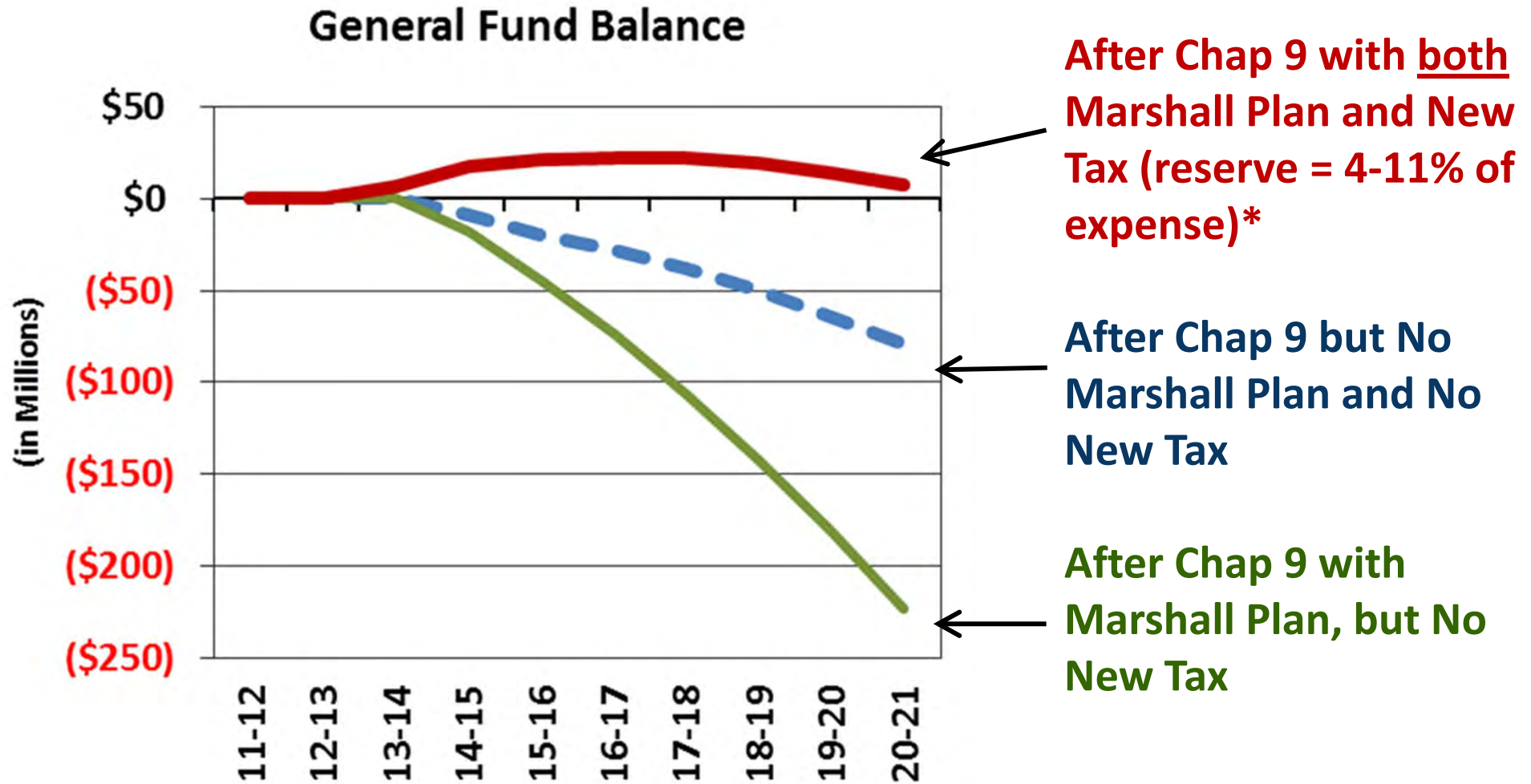
<u>Rate</u>	<u>Date</u>	<u>Action</u>
■ 8.00%	1/1/12	pre-Prop 30
■ 8.25%	1/1/13	post-Prop 30
■ 9.00%	4/1/14	new tax if approved on 11/5/13 ballot
■ 8.75%	1/1/16	Prop 30 expires

Projected Use of Tax Over 10-year Period

- Initial use for bankruptcy recovery & restoration of reserves, as police staffing ramps up
- On-going use heavily weighted to public safety services
- Aggregate use over 10-year period estimated at 66% for public safety/Marshall Plan and 34% for bankruptcy recovery plan and other services

Projected Use of New Tax Revenue Over Ten Year Period											
(\$ in Millions)	<u>13-14</u>	<u>14-15</u>	<u>15-16</u>	<u>16-17</u>	<u>17-18</u>	<u>18-19</u>	<u>19-20</u>	<u>20-21</u>	<u>21-22</u>	<u>22-23</u>	<u>23-24</u>
New Tax Revenue	\$6.9	\$28.4	\$29.4	\$30.4	\$31.5	\$32.7	\$33.8	\$35.0	\$36.2	\$37.5	\$29.1
Marshall Plan	-	\$9.3	\$14.9	\$21.5	\$22.2	\$23.8	\$25.4	\$26.8	\$27.0	\$27.5	\$21.0
% Annual Use of Tax	0%	33%	51%	71%	70%	73%	75%	77%	75%	73%	72%
% Cumulative Use	0%	26%	37%	48%	54%	58%	61%	63%	65%	66%	66%
Bankruptcy Recovery	\$6.9	\$19.1	\$14.5	\$8.9	\$9.4	\$8.9	\$8.4	\$8.2	\$9.2	\$10.0	\$8.1
% Annual Use of Tax	100%	67%	49%	29%	30%	27%	25%	23%	25%	27%	28%
% Cumulative Use	100%	74%	63%	52%	46%	42%	39%	37%	35%	34%	34%

New Tax + Chapter 9 Balances General Fund, Pays for Marshall Plan



*Longer-term PERS trends allow balance to stabilize by mid-2020's

Alternative to New Tax is Additional Service and Staffing Cuts

- Without new tax, annual shortfall is \$11M without Marshall Plan and \$26M with Marshall Plan
- Impact of \$22M in contingent cuts from 11-12 Budget – Stockton not viable as a city
 - \$11M Police (13% cut), \$6M Fire (17% cut), \$5M other (13% cut)
- If no cuts to Police – impacts unsustainable on Fire/Other
 - \$0M Police (0% cut), \$11M Fire (31% cut), \$11M other (27% cut)
- If no cuts to Police or Fire – other departments devastated
 - \$0M Police (0% cut), \$0M Fire (0% cut), \$22M other (54% cut)
- Can't build up police services and implement Marshall Plan on crumbling foundation
 - Can't function without viable support services
- City's viability not determined by public safety alone
 - Drastic non-safety cuts affect quality of life issues

Goals of Ballot Measure

- General tax – addresses bankruptcy exit, Marshall Plan and overall solvency
- If “good times roll” again, instill accountability measures to ensure monies not wasted
- Majority of new tax revenue allocated to restoring public safety
- Further direction (goals) from Mayor & Council?

Recommendation

- Schedule a noticed public hearing on July 9, 2013 to place a 0.75% general sales tax rate before the voters on November 5, 2013 regular election
- On July 9 it will be recommended that Council:
 - adopt the resolution calling the election, and
 - approve the ordinance establishing the details of a sales tax for consideration by the voters
 - Under state law 1st reading of tax ordinance is by Council and 2nd reading is the voter action

Questions ?

Thank you.



Resolution No.

STOCKTON CITY COUNCIL

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF STOCKTON, CALIFORNIA, CALLING, GIVING NOTICE, AND REQUESTING CONSOLIDATION OF A SPECIAL ELECTION TO BE HELD TUESDAY, NOVEMBER 5, 2013

WHEREAS, the City Council desires to hold a special municipal election on November 5, 2013 (the "Election"); and

WHEREAS, the City Council has submitted to the voters at the Election an ordinance imposing a general transactions and use tax (the "Ordinance"); and

WHEREAS, the Ordinance imposes a general tax, the revenues from which are to be placed in the general fund of the City and to be used for any lawful purpose of the City (the "Tax"); and

WHEREAS, the City Council desires to submit an advisory question to the voters regarding the use of proceeds of the Tax; and

WHEREAS, the City Council desires to submit its advisory question to the voters at the Election; now, therefore,

BE IT RESOLVED, BY THE CITY COUNCIL OF THE CITY OF STOCKTON, CALIFORNIA, AS FOLLOWS:

SECTION 1. Pursuant to Elections Code section 10210, there shall be and hereby is called a special election in the City of Stockton on Tuesday, the 5th day of November, 2013. The City Council hereby finds that a fiscal emergency exists in the City that necessitates placing the general tax proposal stated in Section 2 of this resolution on a special election ballot. The City's next general municipal election will not occur until November 2014 but the City has an urgent need for additional funding to provide adequate levels of law enforcement and other public services to protect public safety and to help resolve the City's bankruptcy. Accordingly, this resolution is adopted by a unanimous vote of the Councilmembers present to declare that emergency as required by Article XIII C, section (b) of the California Constitution.

SECTION 2. The City Council hereby orders the following question to be submitted to the voters at the special municipal election called for Tuesday, November 5, 2013:

To pay for law enforcement and crime prevention services such as those described in Stockton’s Marshall Plan on Crime, to help end the bankruptcy and restore other City services; and provided it shall sunset in ten years or when economic recovery occurs, a Citizen’s Oversight Committee reports on the use of proceeds, and independent audits are done annually; shall Ordinance ___ be adopted to impose a 3/4-cent transaction and use (sales) tax?	YES	
	NO	

This question requires the approval of a majority of those casting votes and the Ordinance referenced therein is Ordinance No. _____ of the City, attached hereto as Exhibit 1.

SECTION 3. The City Council hereby orders the following question to be submitted to the voters at the advisory municipal election called for Tuesday, November 5, 2013:

Advisory Vote Only If Measure ___ is approved by the voters, shall (i) 65% of its proceeds be used only to pay for law enforcement and crime prevention services in the City such as those described in the City’s Marshall Plan on Crime and (ii) 35% of its proceeds be used only to pay for the City’s efforts to end the bankruptcy and for services to residents, businesses, and property owners?	YES	
	NO	

This question requires the approval of a majority of those casting votes. It is an advisory measure only. The City Clerk is hereby authorized to complete the blanks in the ballot label set forth above with the letter or number assigned to the measure proposed by Section 2 of this resolution.

SECTION 4. The City Attorney of the City of Stockton is hereby authorized and directed to prepare by July 26, 2013, an impartial analysis of the measure and the City Clerk is authorized, instructed, and directed to give further or additional notice of the election in time, form, and manner as required by law.

SECTION 5. The City Council hereby declares its intent to consolidate the Advisory Election with the Special District Election to be held on November 5, 2013, and requests that the San Joaquin County Board of Supervisors add this Ordinance to said ballot as set forth herein.

SECTION 6. The deadline for the filing of arguments for or against the measure shall be August 2, 2013, for direct arguments, and August 12, 2013, for rebuttal arguments.

SECTION 7. The City Council authorizes Councilmember Elbert Holman to oversee the drafting of a direct argument in favor of the Ordinance, and to oversee the drafting of a rebuttal to the direct argument against the Ordinance, and give preference and priority to such arguments pursuant to Elections Code section 9287(a); and delegates to Elbert Holman the selection of others to join him in signing such arguments.

SECTION 8. In all particulars not recited in this Resolution, the Election shall be held and conducted as provided by applicable law.

SECTION 9. Notice of the time and place of holding the Election is hereby given and the City Clerk is authorized, instructed, and directed to sign and publish notice as required by law.

SECTION 10. The City Manager is hereby authorized and directed to appropriate the necessary funds to pay for the City of Stockton's cost of placing the Measure on the election ballot and to execute any necessary agreements, including the agreement substantially in the form of Exhibit 2.

SECTION 11. The City Clerk is hereby authorized and directed to take all steps necessary to place the Measure on the ballot and to cause the Measure to be printed. A copy of the Measure shall be made available to any voter upon request.

SECTION 12. The City Clerk is directed to file a certified copy of this Resolution with the Board of Supervisors of San Joaquin County and the Registrar of Voters of San Joaquin County.

PASSED AND ADOPTED by the City Council of the City of Stockton, on July 9, 2013, by the following vote:

AYES:

NOES:

ABSENT:

ANTHONY SILVA, Mayor of
the City of Stockton

ATTEST:

BONNIE PAIGE, Clerk of
the City of Stockton

ORDINANCE NO.

AN ORDINANCE OF THE CITY OF STOCKTON ENACTING A GENERAL TRANSACTIONS AND USE TAX TO BE ADMINISTERED BY THE STATE BOARD OF EQUALIZATION, UPON ADOPTION BY THE VOTERS

The people of the City of Stockton do ordain as follows:

Section 1. Title. This ordinance shall be known as the City of Stockton Transactions and Use Tax Ordinance.

Section 2. Definitions. The following words and phrases shall be defined as set forth in this Ordinance, except that any term or phrase not defined in this Ordinance shall have the same meaning as that term or phrase is defined in the California Revenue and Taxation Code, Division 2, Parts 1.6 and 1.7:

- A. "City" means the City of Stockton.
- B. "Operative Date" means the first day of the first calendar quarter commencing more than 110 days after the adoption of this ordinance by vote of the electorate on November 5, 2013.
- C. "Ordinance" means the City of Stockton Transactions and Use Tax Ordinance.
- D. "State" means the State of California.

Section 3. Purpose. This Ordinance is adopted to achieve the following among other purposes, and the Ordinance shall be interpreted liberally in order to accomplish all of its lawful purposes:

- A. To impose a retail transactions and use tax to be applied throughout the entire territory of the City to the fullest extent permitted by law and in accordance with the provisions of Part 1.6 (commencing with section 7251) of Division 2 of the Revenue and Taxation Code and section 7285.9 of Part 1.7 of Division 2, which authorizes the City to adopt this Ordinance if a majority of the electors voting on the measure vote to approve the imposition of the tax at an election called for that purpose.
- B. To adopt a retail transactions and use tax ordinance that incorporates provisions identical to those of the Sales and Use Tax Law of the State of California insofar as those provisions are not inconsistent with the requirements and limitations contained in Part 1.6 of Division 2 of the Revenue and Taxation Code.

- C. To adopt a retail transactions and use tax ordinance that imposes a tax and provides a measure that can be administered and collected by the State Board of Equalization in a manner that adapts itself as fully as practicable to, and requires the least possible deviation from, the existing statutory and administrative procedures followed by the State Board of Equalization in administering and collecting the California State Sales and Use Taxes.
- D. To adopt a retail transactions and use tax ordinance that can be administered in a manner that will be, to the greatest degree possible, consistent with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code, minimize the cost of collecting the transactions and use taxes and, at the same time, minimize the burden of record keeping upon persons subject to taxation under the provisions of this Ordinance.
- E. To provide transactions and use tax revenue to the City to be used for the general governmental purposes of the City, with any transactions and use tax revenue received being placed into the City's general fund.

Section 4. Contract with the State. Prior to the Operative Date, the City shall contract with the State Board of Equalization to perform all functions incident to the administration and operation of this Ordinance; provided, that if the City shall not have contracted with the State Board of Equalization prior to the Operative Date, it shall nevertheless so contract and in such a case the Operative Date shall be the first day of the first calendar quarter following the execution of such a contract.

Section 5. Transactions Tax Rate. For the privilege of selling tangible personal property at retail, a transactions tax is hereby imposed upon all retailers in the incorporated territory of the City at the rate of 0.75% of the gross receipts of any retailer from the sale of all tangible personal property sold at retail within the territory of the City on and after the Operative Date of this Ordinance.

Section 6. Place of Sale. For the purposes of this Ordinance, all retail sales are consummated at the place of business of the retailer unless the tangible personal property sold is delivered by the retailer or his agent to an out-of-state destination or to a common carrier for delivery to an out-of-state destination. The gross receipts from such sales shall include delivery charges, when such charges are subject to the state sales and use tax, regardless of the place to which delivery is made. In the event a retailer has no permanent place of business in the State or has more than one place of business, the place or places at which the retail sales are consummated shall be determined under rules and regulations to be prescribed and adopted by the State Board of Equalization.

Section 7. Use Tax Rate. An excise tax is hereby imposed on the storage, use or other consumption in the City of tangible personal property purchased from any retailer on and after the Operative Date of this Ordinance for storage, use or other consumption in the territory of the City at the rate of 0.75% of the sales price of the property. The

sales price shall include delivery charges when such charges are subject to State sales or use tax regardless of the place to which delivery is made.

Section 8. Adoption of Provisions of State Law. Except as otherwise provided in this Ordinance, and except insofar as they are inconsistent with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code, all of the provisions of Part 1 (commencing with section 6001) of Division 2 of the Revenue and Taxation Code are hereby adopted, incorporated, and made a part of this Ordinance as though fully set forth herein.

Section 9. Limitations on Adoption of State Law and Collection of Use Taxes. In adopting the provisions of Part 1 of Division 2 of the Revenue and Taxation Code:

- A. Wherever the State is named or referred to as the taxing agency, the name of the City shall be substituted. However, this substitution shall not be made when:
 1. The word "State" is used as a part of the title of the State Controller, State Treasurer, State Board of Control, State Board of Equalization, State Treasury, or the Constitution of the State of California;
 2. The result of the substitution would require action to be taken by or against the City or any agency, officer, or employee thereof rather than by or against the State Board of Equalization, in performing the functions incident to the administration or operation of this Ordinance.
 3. In those sections, including, but not necessarily limited to, sections referring to the exterior boundaries of the State of California, where the result of the substitution would be to:
 - a. Provide an exemption from the tax in this Ordinance with respect to certain sales, storage, use or other consumption of tangible personal property which would not otherwise be exempt from the tax while such sales, storage, use or other consumption remain subject to tax by the State under the provisions of Part 1 of Division 2 of the Revenue and Taxation Code; or
 - b. Impose this tax with respect to certain sales, storage, use or other consumption of tangible personal property which would not be subject to tax by the State under the same provision of that code.
 4. In sections 6701, 6702 (except in the last sentence thereof), 6711, 6715, 6737, 6797 or 6828 of the Revenue and Taxation Code.
- B. The word "City" shall be substituted for the word "State" in the phrase "retailer engaged in business in this State" in section 6203 and in the definition of that phrase in section 6203.

Section 10. Permit Not Required. If a seller's permit has been issued to a retailer under section 6067 of the Revenue and Taxation Code, an additional transactor's permit shall not be required by this Ordinance.

Section 11. Exemptions and Exclusions.

- A. There shall be excluded from the measure of the transactions tax and the use tax the amount of any sales tax or use tax imposed by the State or by any city, city and county, or county pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law or the amount of any state-administered transactions or use tax.
- B. There are exempted from the computation of the amount of transactions tax the gross receipts from:
 - 1. Sales of tangible personal property, other than fuel or petroleum products, to operators of aircraft to be used or consumed principally outside the county in which the sale is made and directly and exclusively in the use of such aircraft as common carriers of persons or property under the authority of the laws of this State, the United States, or any foreign government;
 - 2. Sales of property to be used outside the City, which is shipped to a point outside the City pursuant to the contract of sale by delivery to such point by the retailer or his agent, or by delivery by the retailer to a carrier for shipment to a consignee at such point. For the purposes of this paragraph, delivery to a point outside the City shall be satisfied:
 - a. With respect to vehicles (other than commercial vehicles) subject to registration pursuant to Chapter 1 (commencing with Section 4000) of Division 3 of the Vehicle Code, aircraft licensed in compliance with Section 21411 of the Public Utilities Code, and undocumented vessels registered under Division 3.5 (commencing with Section 9840) of the Vehicle Code by registration to an out-of-City address and by a declaration under penalty of perjury, signed by the buyer, stating that such address is, in fact, his or her principal place of residence; and
 - b. With respect to commercial vehicles, by registration to a place of business out-of-City and declaration under penalty of perjury, signed by the buyer, that the vehicle will be operated from that address.
 - 3. The sale of tangible personal property if the seller is obligated to furnish the property for a fixed price pursuant to a contract entered into prior to the Operative Date of this Ordinance.

4. A lease of tangible personal property which is a continuing sale of such property, for any period of time for which the lessor is obligated to lease the property for an amount fixed by the lease prior to the Operative Date of this Ordinance.
 5. For the purposes of subparagraphs (3) and (4) of this section, the sale or lease of tangible personal property shall be deemed not to be obligated pursuant to a contract or lease for any period of time for which any party to the contract or lease has the unconditional right to terminate the contract or lease upon notice, whether or not such right is exercised.
- C. There are exempted from the use tax imposed by this Ordinance, the storage, use or other consumption in this City of tangible personal property:
1. The gross receipts from the sale of which have been subject to a transactions tax under any state-administered transactions and use tax ordinance;
 2. Other than fuel or petroleum products purchased by operators of aircraft and used or consumed by such operators directly and exclusively in the use of such aircraft as common carriers of persons or property for hire or compensation under a certificate of public convenience and necessity issued pursuant to the laws of this State, the United States, or any foreign government. This exemption is in addition to the exemptions provided in sections 6366 and 6366.1 of the Revenue and Taxation Code of the State of California;
 3. If the purchaser is obligated to purchase the property for a fixed price pursuant to a contract entered into prior to the Operative Date of this Ordinance;
 4. If the possession of, or the exercise of any right or power over, the tangible personal property arises under a lease which is a continuing purchase of such property for any period of time for which the lessee is obligated to lease the property for an amount fixed by a lease prior to the Operative Date of this Ordinance.
 5. For the purposes of subparagraphs (3) and (4) of this section, storage, use, or other consumption, or possession of, or exercise of any right or power over, tangible personal property shall be deemed not to be obligated pursuant to a contract or lease for any period of time for which any party to the contract or lease has the unconditional right to terminate the contract or lease upon notice, whether or not such right is exercised.

6. Except as provided in subparagraph (7), a retailer engaged in business in the City shall not be required to collect use tax from the purchaser of tangible personal property, unless the retailer ships or delivers the property into the City or participates within the City in making the sale of the property, including, but not limited to, soliciting or receiving the order, either directly or indirectly, at a place of business of the retailer in the City or through any representative, agent, canvasser, solicitor, subsidiary, or person in the City under the authority of the retailer.
7. "A retailer engaged in business in the City" shall also include any retailer of any of the following: vehicles subject to registration pursuant to Chapter 1 (commencing with Section 4000) of Division 3 of the Vehicle Code, aircraft licensed in compliance with Section 21411 of the Public Utilities Code, or undocumented vessels registered under Division 3.5 (commencing with Section 9840) of the Vehicle Code. That retailer shall be required to collect use tax from any purchaser who registers or licenses the vehicle, vessel, or aircraft at an address in the City.

- D. Any person subject to use tax under this Ordinance may credit against that tax any transactions tax or reimbursement for transactions tax paid to a district imposing, or retailer liable for, a transactions tax pursuant to Part 1.6 of Division 2 of the Revenue and Taxation Code with respect to the sale to the person of the property the storage, use or other consumption of which is subject to the use tax.

Section 12. Amendments. All amendments subsequent to the Effective Date of this Ordinance to Part 1 of Division 2 of the Revenue and Taxation Code relating to sales and use taxes and which are not inconsistent with Part 1.6 and Part 1.7 of Division 2 of the Revenue and Taxation Code, and all amendments to Part 1.6 and Part 1.7 of Division 2 of the Revenue and Taxation Code, shall automatically become adopted and part of this Ordinance; provided, however, that no such amendment shall operate so as to affect the rate of tax imposed by this Ordinance. The City Council or the City's voters may amend this Ordinance to comply with applicable law or as may be otherwise necessary to further the Ordinance's stated purposes. However, as required by Article XIII C of the California Constitution, no amendment to this Ordinance may increase the rates of the taxes authorized by this Ordinance unless such amendment is submitted to and approved by the voters.

Section 13. Prohibition on Enjoining Collection. No injunction or writ of mandate or other legal or equitable process shall issue in any suit, action or proceeding in any court against the State or the City, or against any officer of the State or the City, to prevent or enjoin the collection under this Ordinance, or Part 1.6 of Division 2 of the Revenue and Taxation Code, of any tax or any amount of tax required to be collected under this Ordinance.

Section 14. Severability. If any provision of this Ordinance or the application thereof to any person or circumstance is held invalid, the remainder of the Ordinance and the

application of such provision to other persons or circumstances shall not be affected thereby.

Section 15. Effective Date. This Ordinance relates to the levying and collecting of City transactions and use taxes and shall take effect immediately. However, no tax imposed by this Ordinance shall be effective unless that tax has been approved by the voters of the City as required by section 2(b) of Article XIII C of the California Constitution and applicable law.

Section 16. Precedence over Other Provisions in the Municipal Code. Any provision of the Stockton Municipal Code or appendices thereto inconsistent with the provisions of this Ordinance, to the extent of such inconsistency and no further, is hereby repealed or modified to the extent necessary to effect the provisions of this Ordinance.

Section 17. Sunset of Tax. (a) The taxes imposed by this Ordinance shall remain effective until the soonest to occur of the following: (i) the City Council repeals, or the voters repeal, this Ordinance; (ii) the City Council determines that the City has experienced economic recovery as defined in Section 18 of this ordinance, or (iii) ten (10) years from the date the taxes imposed by this Ordinance are first collected. However, the voters hereby authorize the Council to extend the sunset of the taxes pursuant to paragraph (b) of this Section 17.

(b) The City Council may extend the sunset of the taxes imposed by this Ordinance as follows. The Council shall hold two publicly noticed meetings at least 14 days apart and shall adopt findings based on evidence before it that: (i) the revenues provided by the taxes imposed by this Ordinance continue to be necessary to accomplish the purposes stated in Section 21 of this Ordinance and (ii) the total compensation paid to City employees is not excessive when compared to those of other similarly situated public-sector employers.

Section 18. Economic Recovery Review. Peak revenues to the City's general fund occurred in fiscal year 2008–2009, when the City received approximately \$203,101,529 in such revenues. In the event the City, during any fiscal year in which this Ordinance is in effect, receives general fund (excluding amounts of such revenues transferred by the City to San Joaquin County pursuant to any tax sharing agreement, and excluding revenues under this Ordinance) in excess of the peak amount reached in fiscal year 2008–2009 adjusted for inflation from July 1, 2008 to the date of measurement using an average of the Consumer Price Indices for All Urban Consumers (1982-84=100) (CPI-U) for (i) U.S. City Average; (ii) San Francisco-Oakland-San Jose; and (iii) Western Urban, then the City Council shall hold a noticed public hearing to consider whether to reduce or eliminate the tax imposed by this Ordinance.

Section 19. Citizen Oversight. The City Council shall appoint a seven-member Citizens' Advisory Committee, which shall meet at least annually to review the expenditure of revenues generated by the tax imposed by this Ordinance and to make

recommendations to the City Council regarding those expenditures. The minutes of Citizens' Advisory Committee meetings shall be provided to the City Council and placed on the next available regular Council meeting agenda thereafter. The Citizens' Advisory Committee shall also review progress toward peak general fund revenues as described in section 18 of this Ordinance and any findings made by the City Council under that section or section 17, subdivision (b).

Section 20. Audit and Review. The proceeds of the tax imposed by this Ordinance, as well as the expenditure thereof, shall be audited annually by an independent accounting firm. The City Council shall discuss the results of such audit at a meeting of the City Council that is open to the public. The report of such audit shall be posted on the City's website.

Section 21. Declaration. The proceeds of the taxes imposed by this Ordinance may be used for any lawful purpose of the City, as authorized by ordinance, resolution or action of the City Council. These taxes are not special taxes within the meaning of section 1, subdivision (d) of Article XIII C of the California Constitution, but are general taxes imposed for general governmental purposes.

Section 22. Execution. The Mayor shall sign and the City Clerk shall attest to the passage of this Ordinance upon certification by the City Council of the results of the election approving this Ordinance.

PASSED AND ADOPTED by the City Council of the City of Stockton, on July 9, 2013, by the following vote:

AYES:

NOES:

ABSENT:

ANTHONY SILVA, Mayor of
the City of Stockton

ATTEST:

BONNIE PAIGE, Clerk of
the City of Stockton

I hereby certify that this Ordinance was APPROVED by the voters of the City of Stockton, State of California, at a general election held on November 5, 2013, and by

the City Council of the City of Stockton at a regular meeting of the Council held on _____
_____, 2013.

ANTHONY SILVA, Mayor of
the City of Stockton

ATTEST:

BONNIE PAIGE, Clerk of
the City of Stockton

Exhibit 2

AGREEMENT

THIS AGREEMENT is entered into on _____ between the COUNTY OF SAN JOAQUIN, a political subdivision of the State of California, hereinafter called "COUNTY," and THE CITY OF STOCKTON, a municipal corporation, hereinafter called "CITY."

WITNESSETH

WHEREAS, the City Council is calling for the consolidation of the November 5, 2013, Special District Election; and CITY desires to make use of certain services, facilities, and equipment of the Registrar of Voters' Office of COUNTY and to pay COUNTY for the CITY'S proportion of the cost thereof, pursuant to the provisions of this Agreement;

NOW, THEREFORE, it is hereby agreed as follows:

1. COUNTY agrees to make no changes in precinct boundaries within eighty-eight (88) days of the November 5, 2013, Special District Election.

2. COUNTY agrees that the Registrar of Voters' Office shall perform the following services for CITY:

(a) Furnish the governing body of CITY, upon request of the City Clerk, with up to four (4) copies of the index of registration for each precinct contained in whole or part within the City of Stockton boundaries, not less than twenty-five (25) days prior to the election.

(b) Furnish one map showing all regular precincts embraced in whole or part of the City of Stockton.

(c) Address and mail voters' pamphlets containing sample ballot, vote-by-mail information and any other election matter required to be mailed to the voters.

(d) Prepare list of number of registered voters in each precinct.

(e) Prepare index to precinct consolidation as to polling places.

(f) Prepare precinct consolidations, labels for sample ballots.

(g) Check and package official ballots for consolidated precincts.

(h) Package election supplies for delivery to precinct inspectors, it being understood COUNTY will arrange for delivery of same.

(i) Provide for delivery and return of ballot boxes, election booths, chairs, tables, etc., to polling places, it being understood that delivery and return will be made by COUNTY.

(j) Perform such other election-related services at the request of the City Clerk as may be required by law.

(k) Select the polling place and election officers and mail the Notice of Appointment to the election officers.

(l) Confirm the results of the elections for submission to the City Council as soon as possible and no later than the day required by the City Charter.

(m) Prepare and provide a billing spreadsheet in a format similar to Attachment A.

3. In performing its duties under this Agreement, COUNTY shall comply with all applicable Federal and State laws, including the Voting Rights Act of 1965.

4. The City agrees to:

(a) Pay its proportion of the costs of publications of the polling places and the election officers.

(b) Pay COUNTY its proportion of the costs for all services, facilities, and equipment furnished by COUNTY to CITY in connection with said Election upon receipt by CITY of a billing spreadsheet and statement from the Registrar of Voters setting forth the actual cost of COUNTY for services, facilities, and equipment so furnished. COUNTY will endeavor to keep all expenses to a minimum.

5. Indemnification:

COUNTY shall indemnify, defend, and hold CITY, its officers, agents, employees, and assigns, harmless from any claim, expense, payment, or for any injury, death, or damage to any person or property arising out of the COUNTY'S performance under this Agreement, including any violation of applicable Federal and State law, unless any such injury, damage, or liability arises by virtue of the negligence, as determined by a court of competent jurisdiction, on the part of CITY, its officers, agents, employees, or assigns.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands on the date first written above.

COUNTY OF SAN JOAQUIN,
a Political Subdivision of the
State of California

Chairperson
"COUNTY"

ATTEST: MIMI DUZENSKI
Clerk of the Board of Supervisors
Of the County of San Joaquin
State of California

BY _____

APPROVED AS TO FORM

BY: _____
County Counsel

ATTEST:

CITY OF STOCKTON, A
Municipal Corporation

BONNIE PAIGE
CITY CLERK

BOB DEIS
CTY MANAGER
"CITY"

APPROVED AS TO FORM:

JOHN M. LUEBBERKE
CITY ATTORNEY