

City Council Special Meeting Agenda



JUNE 16, 2020

5:00 p.m.

City of Turlock Yosemite Room

156 S. Broadway, Turlock, California

NOTICE: THIS MEETING WILL BE HELD IN ACCORDANCE WITH EXECUTIVE ORDER N-29-20, ISSUED BY CALIFORNIA GOVERNOR GAVIN NEWSOM ON MARCH 17, 2020, THE RALPH M. BROWN ACT (CALIFORNIA GOVERNMENT CODE SECTION 54950, ET SEQ.), AND THE FEDERAL AMERICANS WITH DISABILITIES ACT.

THIS MEETING WILL NOT BE PHYSICALLY OPEN TO THE PUBLIC.

THE MEETING WILL BE STREAMED ON THE CITY OF TURLOCK WEBSITE AT WWW.CITYOFTURLOCK.ORG AND BROADCASTED ON SPECTRUM CHANNEL 2.

MEMBERS OF THE PUBLIC MAY ALSO PARTICIPATE IN THE MEETING VIA THE FOLLOWING METHODS:

JOIN BY CLICKING ON THE MEETING LINK: <https://us02web.zoom.us/j/84924629186>

OR

**JOIN BY ACCESSING THE ZOOM WEBSITE: <https://zoom.us/join>
WEBINAR ID: 849 2462 9186**

OR

**JOIN BY TELEPHONE: 669-900-6833
WEBINAR ID: 849 2462 9186**

Mayor
Amy Bublak

Council Members

Nicole Larson

Gil Esquer

Andrew Nosrati

Becky Arellano

Vice Mayor

City Manager
Toby Wells, P.E.
City Clerk
Jennifer Land
City Attorney
Douglas L. White

NOTICE REGARDING NON-ENGLISH SPEAKERS: The Turlock City Council meetings are conducted in English and translation to other languages is not provided. Please make arrangements for an interpreter if necessary.

EQUAL ACCESS POLICY: If you have a disability which affects your access to public facilities or services, please contact the City Clerk's Office at (209) 668-5540. The City is committed to taking all reasonable measures to provide access to its facilities and services. Please allow sufficient time for the City to process and respond to your request.

NOTICE: Pursuant to California Government Code Section 54954.3, any member of the public may directly address the City Council on any item appearing on the agenda, including Consent Calendar and Public Hearing items, before or during the City Council's consideration of the item. Members of the public will be allowed three (3) minutes for comments.

AGENDA PACKETS: Prior to the City Council meeting, a complete Agenda Packet is available for review on the City's website at www.cityofturlock.org and in the City Clerk's Office at 156 S. Broadway, Suite 230, Turlock, during normal business hours. Materials related to an item on this Agenda submitted to the Council after distribution of the Agenda Packet are also available for public inspection in the City Clerk's Office. Such documents may be available on the City's website subject to staff's ability to post the documents before the meeting.

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0. A. CALL TO ORDER
 - B. SALUTE TO THE FLAG
 - C. ROLL CALL
 - D. DECLARATION OF CONFLICTS

1. **APPROVAL OF AGENDA AS POSTED OR AMENDED**

This is the time for the City Council to remove items from the agenda or to change the order of the agenda. Matters may be taken up out of order of the established agenda by a four-fifths vote of the City Council.

2. **PUBLIC PARTICIPATION – LIMITED TO ITEMS DESCRIBED IN THE NOTICE FOR THIS MEETING**

MEMBERS OF THE PUBLIC WISHING TO ADDRESS THE CITY COUNCIL WILL BE GIVEN THE SAME TIME ALLOTMENT FOR COMMENTS (3 MINUTES) AS NORMALLY ALLOWED FOR MEETINGS SUBJECT TO THE PROVISIONS OF EXECUTIVE ORDER N-29-20.

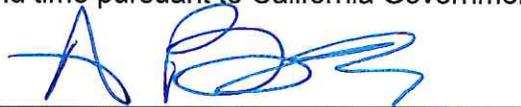
Pursuant to California Government Code Section 54954.3(a), this is the time set aside for citizens to address the City Council concerning any item that has been described in the notice for this meeting, including Consent Calendar items, before or during consideration of that item. You will be allowed three (3) minutes for your comments. If you wish to speak regarding an item on the agenda, you may be asked to defer your remarks until the Council addresses the matter.

3. **WORKSHOP:**

- A. The City Council will review, discuss, and provide direction regarding implementation of the Community Priorities Advisory Committee (CPAC) Report (*Wells*)

4. **ADJOURNMENT**

The foregoing meeting is hereby called by Mayor Amy Bublak at the above mentioned date and time pursuant to California Government Code §54956.



AMY BUBLAK, Mayor

3A

City Council Workshop
June 16, 2020



To: Mayor and Councilmembers
From: Toby Wells, P.E., City Manager
Prepared by: Toby Wells, P.E., City Manager
Subject: Community Priorities Advisory Committee (CPAC) Report

On January 14, 2020, the formation of the Community Priorities Advisory Committee (CPAC) was approved by the City Council. The purpose of the CPAC was to ensure direct and meaningful community participation in reviewing levels of City services and programs.

Committee members were appointed to represent a wide range of viewpoints and were tasked with the following charge:

- a. Continue ongoing public outreach efforts and help develop a common understanding of municipal finances and budget to provide context for recommendations about funding and levels of service;
- b. Review aspects of key General-Funded City operations, prioritizing community expectations for the levels of service provided by five General-Funded City departments: Police, Fire, Parks and Recreation, Development Services, and Administration; and
- c. Review fiscal strategies and constraints associated with continued delivery of high-quality services at current or increased levels.

Over the course of the last six (6) months, the Committee met and received information regarding the operations of key City Departments including programs and services, fiscal and programmatic challenges relative to resources and service delivery, and the value these programs and services provide to the community.

Following these meetings, Committee members generated a number of recommendations that flowed from themes in their discussions. The committee also began drafting sections of the report that contain specific recommendations and findings. The report has been compiled into one comprehensive document (Exhibit A). The Committee chairperson, Jeffrey Lewis will make a presentation to Council to summarize findings in the report.

In addition to the report, City staff has developed a matrix as a starting point for the discussion on how to implement the finalized report (Exhibit B). Staff will review the draft matrix with Council and seek Council direction on the steps forward.

It is City staff's belief that the work of the CPAC will not end with the completion of the final report and recommendations. Their efforts have demonstrated the beginning of a new type of community engagement which will facilitate future and ongoing dialogue regarding community priorities, resources, and options for funding those priorities.

City of Turlock Community Priorities Advisory Committee Summary of Findings

May 26, 2020

Dear Members of the Turlock City Council, City Manager, and the Residents of Turlock:

As residents of this community, we face challenging economic times ahead. While the healthcare pandemic stopped many parts of our economy, our problems did not begin with COVID-19. Long before we waged war on coronavirus, our elected officials and other decision-makers' unwillingness to address the tough choices many communities face created a myriad of issues that now need to be addressed. These are tough choices that cannot be solved easily.

We must ask ourselves:

1. What can we afford as taxpayers?
2. Are the city budget, health insurance plan, and pension programs sustainable? If so, at what cost to our city?
3. Are Turlock residents willing to settle for maintaining a police department that is not adequately funded, or are we willing and ready to support a robust and vibrant police force?
4. Is the current design of the fire department what Turlock needs? Would it be more prudent to combine our fire department with those of other communities and create a more sustainable regional fire department?
5. Turlock continues to pay taxes to the County, but how much is returned to Turlock? Despite being the second-largest city in Stanislaus County, why does it seem that Modesto is always first in line for the lion's share?

A few years ago, Turlock residents turned down a sales tax increase of \$0.005%. Today, we need a three-stage boost to generate enough revenue to cover the city's fiscal liabilities, rebuild our police force, and fix our roads. Are Turlock residents willing to support a sales tax increase, without which the city's financial challenges will grow, not shrink?

How do we, as a community, ensure that the funds we raise are being prioritized responsibly by the new City Manager and City Council?

The Community Priorities Advisory Committee (CPAC) report is a roadmap of possibilities. It provides the new Turlock City Manager and the Turlock City Council with a set of choices. Each decision or not will impact our future.

Finally, it is essential to know that we did not achieve unanimous agreement on all the recommendations contained in this report. Each member of the CPAC has distinct ideas and views. That is what made our discussions robust.

City of Turlock Community Priorities Advisory Committee Summary of Findings

May 26, 2020

Over the years, Turlock has demonstrated the ability as a community to come together and focus on our future. The pandemic has made this challenge more difficult, but not impossible. There will be citizens calling for the recall of one or more members of the Turlock City Council because of actions they have or have not taken. It is part of the democratic process. Something that each of us may be called upon to evaluate and vote on.

As you review this report, the road ahead will still have many tough choices. It will require collaboration, not name-calling; we will need honest discussions not rants on social media, and it will necessitate the willingness and determination of all elected officials to come together as a team.

The challenge is great, and the time for action is now.

Sincerely,

Jeffrey Lewis, Chairman

City of Turlock Community Priorities Advisory Committee Summary of Findings

May 26, 2020

Members of the CPAC

Jonathan Boulos
Neill Callis
Aluriel Ceballos
Michael Cooke
Brad Christian
Karina Franco
Kristina Hacker
Roger Herrera
Suzanne Houlden
Manuel Jimenez
John Lazar
Jeffrey Lewis
Allison Martin
Sue Micheletti
Maryn Pitt
Jerry Powell
Patti Smith
Jim Theis
Anokeen Varani
Arlon Waterson

City of Turlock Community Priorities Advisory Committee Summary of Findings

May 26, 2020

Overview

The economic challenges facing cities such as Turlock are significant. As it was in 2005, the city is now headed toward a situation in which expenditures far exceed revenues. Over the past year, the city made cuts to services to align expenses with income, but this is not a long-term solution.

The city and its elected officials are not prepared for an ever-changing economy. For too long, Turlock has lived on the economic edge: spending without forethought to planning for tougher economic times ahead. Local election cycles and broader business cycles have not been correlated, leading in recent years to the City Council's lack of a committed majority to financial and fiscal carefulness.

Unless elected officials can agree on a sound economic strategy going forward, the City of Turlock is staring into a financial abyss that will lead to political chaos and drastic service cuts in public safety or worse. This also means that County Supervisors must lean in too, not with rhetoric, but with strategy and leadership.

This report is the outgrowth of numerous meetings with city officials, the Interim Turlock City Manager Michael Cooke, and others. The goal is to provide a blueprint – an economic roadmap to move the city and our community forward. To do so will require tough choices to be made by elected officials and voters alike. As you read through this report, please consider both the short- and long-term challenges faced by communities such as Turlock. Without an economic strategy, including plans for economic development, these challenges can only grow worse.

As the City Council grapples with this report and its recommendations, the underlying question is whether the Turlock City Council dares to lead and to make tough choices to protect the city and our economy, or will its commitment to unions and no-tax-increase voters prevail?

Increasing the Sales Tax to Build a Strong Financial Reserve

Turlock needs an immediate increase in its local sales tax. According to the experts, a one-cent increase results in \$8-\$13 million being generated in a typical economy. Current and post-coronavirus economies will have diluted Turlock's expected revenue; the economic contraction from coronavirus nationwide is estimated to be at -3%, compared to -0.9% for the 2008 financial crisis and recession, with a long-tail recovery measured in months, if not years.

Some of us believe we need to be bold and propose an increase of the sales tax by either two cents; or three cents in year one, reducing it two cents in year two and then maintaining the increase at one cent after that. This approach may generate about \$45 million and would give the City of Turlock the ability to respond to the public safety challenges we face, and then some.

City of Turlock Community Priorities Advisory Committee Summary of Findings

May 26, 2020

However, to ensure that the city's elected officials do not use this new revenue for a spending spree, it is recommended that the city concurrently implement the following, through an aggressive collective bargaining agreement:

- All city workers will pay a percentage of their health insurance premiums. While the employee would be fully covered, all family coverage payroll deductions would be tied to an employee's salary.
- For all new City of Turlock hires (full-time or under contract), the employee benefits plan would change effective 1/1/2021. Under this new approach, all new employees would be enrolled in a 401k plan with the City of Turlock matching the first 5% of an employee's contribution. All new employees would not be part of the state retirement system.
- The City Council must explain to Turlock voters how much annual revenue must be siphoned off to pay for current and future retiree benefits. It is estimated that at least \$8 million is owed by the City of Turlock, and that amount is expected to climb as CalPERS investment returns suffer significantly for the next year.
- Because of COVID-19, the City of Turlock has lost and will continue to suffer substantial tax revenue based on people sheltering in place. This loss of revenue will add to the city's budget challenges. Because of complex government accounting flows, the repercussions of this will not be fully understood for many months.
- City Council members should discuss, debate, and pass a plan to fully fund the Police Department by December 2020, with the program taking effect July 1, 2022.

Emergency Tax Relief

The coronavirus has disrupted lives across America. One of the many impacts that will be felt by cities -- small and large -- is a significant decline in revenues from the hotel and other sales taxes. The City of Turlock will not be spared. This decline in revenue will impact the city's bottom line.

The City of Turlock should explore whether the City Manager has executive powers that can be used in conjunction with the County and the State to raise additional tax revenues to make up for what was lost. This should include asking the Governor and the legislature for one-time emergency relief programs.

City of Turlock Community Priorities Advisory Committee Summary of Findings

May 26, 2020

Turlock Sales Tax

This committee is recommending a variety of expense reduction strategies that must be implemented, in some measure, as one part of a plan to restore the City of Turlock to financial stability. It is abundantly clear; however, that expense reduction alone cannot and will not bring about a balanced budget, replenishment of reserves, or restoration of services vital to the residents of Turlock. If the City of Turlock is to avoid bankruptcy, there must be an increase in revenues available to the city to fund operations.

Even before COVID-19, the City of Turlock was facing challenging economic times. As we wait and pray for this pandemic to end, we are confronted by four realities:

1. The City of Turlock's finances are not going to be able to sustain city services as we know them today.
2. Without an increase in revenue, the City of Turlock will fall further behind in its debt to the State of California for its public employee retirement fund payments.
3. Absent an increase in revenue, the City of Turlock Police Department will continue to shrink, placing public safety in jeopardy.
4. The City of Turlock's financial health will suffer even more. Public services will deteriorate further, and roads will remain unpaved and full of potholes, while we continue to grapple with the lack of dedicated public funds to cover the growing expense associated with our homeless population.

The Survey

FM3 Research was hired by the City of Turlock to conduct a poll of Turlock voters to ascertain the level of support a sales tax initiative might receive and to identify the community's top priorities. From February 3 - 9, 2020, five hundred twenty-five (525) survey interviews were completed from a random sample of Turlock residents determined most likely to vote in November 2020. Interviews were conducted online and by cell phone or landline telephone, and the survey was available in English and Spanish. The overall margin of error was +/- 4.9%.

Issue	% Extreme/Very
Homelessness	85%
Number of homeless residents in the city	79%
Condition of neighborhood streets	73%
Condition of major roads and thoroughfares	70%
Crime, gangs, and drugs	61%
Cost of housing	50%
Not enough police officers on city streets	48%
Waste and inefficiency in city government	47%
Traffic congestion	34%

City of Turlock Community Priorities Advisory Committee Summary of Findings

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Not enough street lighting	34%
Condition of local parks	34%
Amount one must pay in city fees	34%
Not enough new housing being built	26%
Response time of firefighters, police, and EMTs	25%
Not enough city parks	7%

Even after introducing opposition messages, support for the measure remains above the majority-vote threshold for passage. The total "Yes" vote, after the opposition message was read, only decreased by four percentage points to 64%. The total "No" vote decreased only two percentage points to 26%, and the "Undecided" vote increased to 9%.

It is interesting to note that while Measure F failed for a one-half cent sales tax increase, this recent poll suggests that a full-cent increase would be widely supported. That said, members of this committee have questioned the validity of the survey, and many of us have seen and heard significant opposition to such a ballot measure on social media and in informal discussions with professional associates, friends, and neighbors. We, therefore, believe that there must be a series of immediate, strong, positive communications directed toward the voters, such that a ballot measure will not fail again. Such messaging needs to include planned, implementable, and measurable expense reductions.

As evidenced by the survey results, as well as by public comments made at recent City Council meetings, there is a high level of mistrust of the city's leaders amongst Turlock residents. There is a widely held belief that our city leaders have, repeatedly, demonstrated ineptitudes and incompetence when it comes to managing the city's finances. For a ballot measure to succeed, messaging to the community will have to be strong enough to combat this notion. Council members and the new City Manager will have to acknowledge and then, convincingly, articulate their individual and collective understanding of the current situation and their measurable, executable plan to "right the ship."

With the next election less than seven months away, Turlock is already far behind in getting such a message out to its residents. The committee suggests that a contracted communications consultant be used to help craft the critical elements of a consistent message that ALL city leaders, members of the CPAC, and other trusted influencers can use to communicate to the voters about this ballot measure.

It is important to understand that while the CPAC recommends the reduction of health and retirement benefits expenses for city staff, as outlined elsewhere in this report, the savings from these reductions will fall far short of supplying the revenues needed to support a fortified police force, repair roads, and perform many other community priorities. These are just a start. Leadership has no choice but to present the best case for the November 2020 ballot for a minimum one-cent sales tax increase, execute a well-planned communication strategy, and let the voters decide.

City of Turlock Community Priorities Advisory Committee Summary of Findings

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For this to be successful, however, the measure would need to be presented with additional specifications:

1. No sunset clause; can only be removed by a vote.
2. Not a dedicated/specific tax so that it can pass with a 50% plus 1 vote or higher "Yes" vote.
3. Establishment of a Citizen's Oversight Committee: The CPAC recommends at least one business owner and one private citizen from each of the four Council districts be appointed; at least one representative from each district should have a background in an accounting or other finance-related field, with the general ability to read and understand financial statements. The committee recommends meeting at least quarterly to look at operating performance against targets, budget overruns, and corrective action plans that may need to be implemented to respond quickly and appropriately to any unanticipated circumstances and/or \$6.5 million unforeseen events impacting the city's financial status.

To ensure that a new Sales Tax Initiative is successful, a communications strategy must be created and implemented in English and Spanish. Voters will need to understand:

1. How much the sales tax will be and why?
2. How it will improve public safety?
3. How it will address the City of Turlock's unfunded pension liability?
4. How COVID-19 has impacted the City of Turlock's finances and what this means for the future of the city and city finances?
5. What happens if the new Sales Tax Initiative is not passed?

Current Situation

The actions implemented to date have been woefully insufficient, and here we find ourselves again working to figure out how to pay for essential services in a sustainable way. Two very critical budget lines that must be restored are:

- Current reserves equal \$6.5 million. This represents a reduction of \$2,428,555 since 2014. The minimum should be no less than 7% of general fund budgeted expenses.
- The adopted FY19/20 operating budget deficit equals \$22,915; this has been updated to reflect a deficit of \$1,300,000 due to COVID-19 expenses and reduced sales tax revenues.

Restoration of reserves and the current budget deficit would not be the only use of new revenues. The Police Department reports that inadequate police coverage results in the need for more overtime hours, which is already underfunded, and further strains limited available

City of Turlock Community Priorities Advisory Committee Summary of Findings

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resources. Virtually all operational necessities and programs have suffered as a result. Critical Police Department deficits and recommendations include:

- Fortify overtime budget by \$400,000 (Standard and Dispatch combined).
- Additional 18 Officers needed over nine years: \$1,965,600.
- Additional equipment, including cars: \$675,000.
- CAD/RMS Systems replacement: \$2 million cost approved; purchase pending.

Exacerbating the issue of the lack of police officers is that it is growing increasingly difficult to find and retain qualified candidates; they may not pass a drug test, or they may be offered higher pay or a more interesting array of benefits in another city. As such, this group cannot be expected to contribute to benefits or salary savings. A recent survey of Turlock residents, described in more detail below, indicates that spending is necessary and welcomed for strengthening the City's Police Department and other priorities, such as:

- The condition of major streets, roads, and thoroughfares.
- Crimes, gangs, and drugs.
- Street lighting and condition of local parks.

Potential new revenues or expense savings are estimated to be:

- Recommended benefits expense reductions could yield up to \$500,000. Please reference the health insurance report section for details. (City employees took pay cuts after 2005, so salary reductions for most staff are not advised).
- A one-cent sales tax yields (before a COVID-19 impact) approximately \$15million.
- A two-cent sales tax yields (before COVID-19) approximately \$30 million.
- Or, a three-cent sales tax increase that would work as follows:
 - Three cents the first year.
 - Reduce to two cents the second year.
 - And then permanently at one cent every year thereafter.
- The three-cent increase would generate approximately \$45 million in year one, giving the city a comfortable fiscal cushion to work with while also implementing the other recommendations for budget cuts.

Turlock City Employees

As shared earlier, it is long past time to review the benefits provided to City of Turlock employees. While this is being undertaken, it is equally important to have a competitive salary review to understand in what areas city employees are underpaid and where they are overpaid.

In the interim, some steps should be taken to help ensure the long-term solvency of the City of Turlock's employee benefits plan through aggressive collective bargaining negotiation:

City of Turlock Community Priorities Advisory Committee Summary of Findings

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- City employees should be grandfathered into the existing plan, in which they would not be required to pay for their health insurance. However, for those with family members covered under the plan, they would be required to contribute a percentage of monthly premium costs. All new Turlock City employees hired after June 1, 2020, should be required to pay a health insurance premium for themselves and their family members.
- Family member premium costs should be tied to salary. The goal is to ensure that lower-wage employees are not paying the same premium costs as higher-paid workers.
- The copays for prescription drugs should be changed. Employees should not pay more than a \$10 copay for generic medications; however, all other medications should be set at a \$35 variance. For expensive specialty medications, employee plan costs should be capped at \$1,000 a year. Where pharmaceutical manufacturers help plans for which employees or their dependents qualify, they should be required to enroll. This will shift costs away from the city health plan.
- The City Manager should investigate whether the City of Turlock should require its employees to enroll in a Kaiser Health Plan, and what the level of savings to taxpayers would be.
- All employees of the City of Turlock who do not accept the health insurance plan should be paid a flat \$150 a month. Until recently, they were paid \$1,000 a month. Effective January 1, 2022, all new hires who decline the city health insurance plan should not be reimbursed for not taking it.
- Where there are city retirees who are not eligible for Medicare, but who may have a dependent who is eligible for Medi-Cal or Medicare, that dependent should be required to enroll in another public or private benefit plan.

Healthcare

The health insurance benefits plan for the City of Turlock employees is often celebrated as something employees bargained for over the past couple of decades, and that is correct. Budget negotiations were usually focused on balancing pay increases vs. protecting health insurance benefits. In the end, each labor-management agreement focused on the "here and now" and failed to focus on tomorrow. That lack of vision and planning by both labor and management is one reason why the City of Turlock finds itself facing a financial crisis.

Today, the City of Turlock's health insurance plan is self-funded. As a self-funded plan, the employer assumes the financial risk for providing healthcare benefits to its employees. Self-insured employers pay for claims as they occur instead of paying a pre-determined premium to an insurance carrier, which is the case under a fully insured plan. While the City of Turlock has purchased stop-loss insurance that protects against catastrophic or unpredictable losses, its coverage only goes so high. After a certain threshold, the City of Turlock is fully responsible.

Why is this important? A self-insured employer assumes the risk of paying healthcare claims for its employees. In doing so, it must have the financial resources or reserves on hand to meet any

City of Turlock Community Priorities Advisory Committee Summary of Findings

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healthcare obligations. A public healthcare crisis such as we face today with the rapidly spreading coronavirus could have a devastating impact on the city's financial viability.

The City of Turlock has hired a third-party administrator (TPA) to administer the program. This includes processing or adjudicating claims for both employer and employees and negotiating with hospitals and doctors regarding reimbursement.

Despite the efforts of insurance experts at Winton-Ireland, Strom & Green to help build a firewall around the employee benefits plan, the city's plan is a heartbeat away from serious fiscal problems. Lynn Bull, one of the region's foremost health insurance experts, has tried over the years to guide the City of Turlock Labor/Management team to make changes that would avert this disaster. Still, repeated recommendations have fallen on deaf ears.

The economic anemia that has cast its spell over Turlock will not be resolved quickly or easily unless there is a willingness to recognize that the public employee health insurance plan, as currently designed, is unsustainable. Given our current economic woes, that problem is likely to worsen.

How Did This Happen?

Through an absence of leadership.

Over time, elected officials decided that the support of one or more unions far outweighed the long-term fiscal health of the city. Some elected officials preferred to promise too much to get reelected and failed to make critical changes to the employee health insurance plan.

Health costs have exploded. Over the last decade, dramatic increases in deductibles and copays in employer-sponsored plans have helped keep premiums in check. Still, that effort seems to be running out of steam as the burden on the city becomes unsustainable. In Turlock, city employees do not pay premiums; their copays are low, as are the deductibles.

It is important to be clear: the blame cannot be placed at the feet of the city's employees. Over the years, employees have bargained for better healthcare instead of wage increases. Additionally, there have been occasions when employees took pay cuts because of the city's poor financial condition.

The responsibility here rests with multiple City Managers and the City Council of Turlock.

At a recent collective bargaining session, the unions and the city could not agree on a healthcare plan. This "impasse" means that the City of Turlock's last and final offer was implemented.

In this recent implementation, employees will begin to pay a small portion of their health insurance costs. This is important because the City of Turlock's health insurance plan was

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among the most generous in California. In fact, in 2018, Turlock paid almost \$24,000 per employee for health coverage, which is higher than any other California city with 100 or more employees. A report from Transparent California, a Nevada-based think tank known for its database on public employee compensation, found the average annual cost of state and local government health insurance plans was \$14,288 per employee.

Winton-Ireland, Strom & Green has served as the City of Turlock's health insurance advisor for many years. Lynn Bull, a senior vice president, has, on many occasions, advised the city to take a different path. In particular, she often recommended aligning the City plan with the County's. However, despite her market expertise, the city has continued down a financially unsustainable path.

What Should the City of Turlock Do?

While the city has made some changes to the employee health insurance plan, which takes effect on July 1, 2020, more needs to be done.

- Compensation instead of health insurance: for years, city employees who had coverage through a spouse or partner were offered a cash incentive of almost \$1,000 per month not to accept the city's health plan. While the new collective bargaining agreement reduces this amount to \$450 a month starting July 1, 2020, it is still too high. The market rate for local employers for such incentives averages about \$100-\$200 a month. The city has 51 employees who take this benefit, so reducing it to \$150 per month would generate an annual savings of \$183,600.
- Premium Share: Today, the City of Turlock employees do not pay any part of the health insurance premium. It is recommended that beginning in FY21/22, all employees pay some share of the insurance premium. However, to keep such a program fair, employees making less would pay a smaller amount:

a. Under \$40,000	monthly premium \$20
b. \$40,000-\$50,000	monthly premium \$35
c. \$50,000-\$60,000	monthly premium \$50
d. \$60,000-\$80,000	monthly premium \$55
e. \$80,000-\$100,000	monthly premium \$60
f. \$100,000-\$179,000	monthly premium \$75
g. \$180,000+	monthly premium \$100

This would yield an annual savings of approximately \$210,000.

- Premium increases tied to plan cost increases: all premiums would increase annually based on the standard increase in the health insurance plan. For example, if plan costs increase by 5%, all premiums would increase by 5%.

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- Copays for Medications
 - It is recommended that the current copay levels being implemented on July 1, 2020, should be changed.
 - For the Rx plan, copays should be:
 - \$5 for multi-source generic medications.
 - \$35 for single-source generic medicines (if the brand medication is cheaper it must be offered).
 - \$70 for brand-name medications.
 - All specialty drugs would be sold at a 20% copay for the employee/family, with an annual cap of \$1,000.
 - To assist all employees, the broker/TPA/Pharmacy Benefits Manager (PBM) shall utilize PhRMA company Patient Assistance Plans, when offered. Additionally, when the medication has a generic equivalent, TPA/PBM should use copay assistance cards.

- Physicians and Recommended Medications
 - Today, doctors can request that a patient be given a specific medication, using what is called a Dispense as Written (DAW) prescription. The DAW requirement would be eliminated. It would be replaced by the lowest-priced equivalent medication.
 - Prescription Drug Formulary Design.
 - Eligible medications would be based on the health insurance option selected by the employee. No longer would all employees be eligible for all the same medications.
 - Evidenced-Based Rx Formularies.
 - As a growing number of medications are developed to treat multiple conditions, it is important to determine which are truly "best in class." Here it is recommended that the TPA/PBM work with a labor-management group appointed by the City Manager to recommend the inclusion and exclusion of specific new medications. This process would also allow employees (labor and management) to become more familiar with how the world of prescription drugs continues to evolve.

- Diabetes Pilot Project
 - It is recommended that all medications taken by an employee with Type 1 or Type 2 diabetes (including test strips, needles, and comorbidity medications) be provided for free for the next two calendar years. The goal is to help employees with diabetes remain compliant and avoid unnecessary visits to the hospital because they could not afford to fill or refill their insulin. However, because many people with diabetes take multiple medications related to their chronic disease, we are recommending that these medications also be provided at no cost.

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- Medical Plan Options
 - Employees would be offered two alternative health insurance plans.
 - Option one is a high deductible plan or a three-tiered insurance plan with varying benefits based on how large a monthly premium the member wants to pay.
 - Option two is a lean plan, which would have the lowest monthly premium. This plan would include:
 - \$5,000/\$10,000 deductible.
 - An approved list of physicians and hospitals (limited choices).
 - A limited Rx formulary.
 - A moderate plan would require a higher monthly premium and include:
 - \$3,500/\$7,500 deductible.
 - A broader choice of physicians.
 - A broader Rx formulary.
 - A generous plan would require the highest monthly premium and include
 - \$2,500/\$5,000 deductible.
 - The broadest choice of doctors and hospitals.
 - The most comprehensive Rx formulary.
- Spousal Coverage
 - If the husband and wife both work for the City of Turlock, the deferred compensation plan would no longer be available. Additionally, they would be eligible for a single plan and not for dual coverage. Their premium would be based on the lower of the two annual salaries.
- Retiree coverage
 - Retiree coverage would be eliminated for all new hires effective July 1, 2020
 - Retirees who have family members on their plan who are eligible for Medi-Cal or VA benefits must enroll in those programs effective July 1, 2020. This only applies to retirees who retired after July 1, 2020.

What Does This Mean for the Future?

The greatest challenge facing the City of Turlock and its City Council is leadership. Hopefully, this will be solved with the new hiring of a City Manager. Time will tell. It will be his job to prepare and implement a plan to evaluate the recommendations contained herein, as well as additional changes. Time is short, the needs are great, and the patience of taxpayers grows thinner by the day.

While changing the health insurance benefits plan is part of a labor/management negotiation, there must be a willingness to lead. This has not been something that the current or previous Turlock City Council has been willing to do.

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Adjusting the City of Turlock employee benefits plan will not be easy. But it is something that must be done. Additionally, for all new hires, a different plan should be offered to help the city protect itself from such problems in the future.

The new City Manager walks in with two strong allies. First, the City of Turlock Human Resource Manager, Sarah Eddy, is a competent and effective city employee. She brings a wealth of knowledge and will provide huge assistance to the new City Manager. Second, Lynn Bull, the Vice President from Winton Ireland who works with the city on employee benefits, brings a wealth of local, State, and national expertise. Together, these two women will aid the new City Manager in his efforts to change the status quo.

Turlock Police Department

When many Americans think of police departments, they often think of large numbers of detectives, forensic staff, undercover officers, and SWAT teams. In Turlock, that is not the case.

The Turlock Police Department is small, but nimble. They are surviving because of the unshakable leadership of Chief Ninus (Nino) C. Amirfar and the staff of women and men dedicated to the safety of all Turlock residents.

Despite the Chief's best efforts over the past many years, the Turlock City Council has been unable to provide him with the resources needed to create a strong, vibrant, and competitive police force – one which officers will not want to leave because the city failed to plan for the future. One that has the capability of providing public safety for the worst-case emergencies such as the current pandemic.

Today, the Turlock Police Department falls about 18 officers short of operating at a staffing level recommended by the Chief of Police for a city the size of Turlock. In addition, it currently has five officers out injured and five more going to the Police Academy. The challenges continue to mount.

This means the City of Turlock Police Department is understaffed. If anyone gets sick, from the dispatchers to the officers, the alternatives are limited and will result in the complete reduction of any proactive units such as those identified below. If the losses continue, Chief Amirfar would seek the assistance of the County Sheriff's office to help patrol the City of Turlock.

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What is the impact?

- Overtime is mandated, forcing officers to work on their days off, creating dangerous conditions which cause exhaustion, injuries, and illness.
- The Police Department is exceeding its overtime budget.
- The Special Operations Division will need to be broken down for reassignment.
- Only four Detectives on duty.
- No Special Investigations Unit (SIU).
- No Gang Intelligence Unit.
- No Traffic Safety Unit.

What are the practical considerations of this?

- No special investigations unit (SIU) for gangs, drugs, weapons, human trafficking, etc.
- Limited abilities for any advanced investigations concerning shootings or homicides.
- Limited Traffic Safety Unit resulting in an increase in dangerous drivers and DUIs, with no room for proactive policing.
- Increased stress levels for staff.
- Decreased morale.

What Does History Tell Us?

First, in March 2018, Chief Amirfar gave a presentation to the City Council of Turlock, outlining a nine-year plan that would gradually get Turlock's police force up to 96 officers. He took this approach recognizing the fiscal realities of the time, and the fact that the previous Mayor had recommended a plan to hire 110 officers in less than five years but never backed it up with funding.

Second, the Chief has been clear in his message to the City Council and senior staff for the past three-and-a-half years: the Turlock Police Department is underfunded, understaffed, and will be unable to serve the basic needs of the city if a crisis occurs.

Third, recruitment and retention of officers continues to be very difficult. The challenge a few years back was finding recruits who did not have a criminal history, and who had not used illegal drugs for at least the last 18 months. Today, the challenge is providing competitive pay.

- The Turlock Police Department used to be one of the top-paying agencies in the region. That is no longer the case. Modesto, the County Sheriff's Department, and others are offering more competitive salaries and benefits than Turlock.

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- When the Chief got creative and offered a \$16,000 signing bonus, it only resulted in two dispatchers and one police officer coming to Turlock in the past two and a half years. The signing bonus strategy did not work.
- The result of not having competitive pay and benefits means losing officers to other agencies such as Tracy, Modesto, the District Attorney, and Livermore. Several officers have applications into Redwood City and one to Milpitas.

How Have Budget Cuts Impacted the Police Department?

In March 2019, as required by the City Council, the Police Department started implementing budget cuts. The impact has been at least a 5% increase in the crime rate and an inability to implement Community Outreach programs, such as the Police Department Open House and Operation Blue Santa. The Police Department went from being proactive (and spending \$1 million in overtime) to cutting overtime, eliminating community outreach, probation checks, parole checks (290 sex registrants), and compliance checks. Gang compliance stopped.

Chief Amirfar wanted the community to experience what was possible with a proactive full-service police department and while he used overtime to do it, he knew it was not sustainable. His hopes were that Council and, most importantly, the community, would desire this to continue and would, therefore, properly fund and staff the Police Department. He hoped the community would demand its leaders plan accordingly to get the necessary revenues to have a full-service police department that can adapt and be ready for the future emergencies.

Furthermore, the Dispatch Center, which is the heart and soul of the Police Department's communication effort, is understaffed. The recent cuts, and now the COVID-19 pandemic, have left it in a position that will be catastrophic if one more dispatcher is lost for any reason. This means no more Turlock Communications Center.

What Are the Other Challenges?

- City police officers fear the City of Turlock is going to collapse financially and officers fear for their jobs and their family's security.

What is the Financial Challenge?

To get to the 96 officers that Chief Amirfar believes are currently needed means adding 18 officers at the cost of \$2.7 million (to cover salaries and benefits). If you add equipment needs, there is a one-time additional cost of \$918,000.

In other words, it will take \$3.63 million to get the City of Turlock Police Department to the level recommended needed to protect the current population.

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Leadership

The City of Turlock Police Department finds itself in a difficult position. The officers and leadership of the Police Department are committed to excellence, service, and safety. But, with limited funds, smaller communities such as Turlock may find themselves pursuing a regional police force in which smaller cities come together with the County to create a solution. This would not be optimal for the citizens of Turlock, who would have much less input into the level of services this force would be expected to provide.

These kinds of challenges occur when political leaders are not willing to make tough choices in the interest of the health and safety of all taxpayers. They occur when leaders place campaign promises or personal political beliefs above the interests of citizens.

Lower Revenues

Turlock's revenues come from several sources. Most importantly, the city has never raised its sales tax rate, increased its tax on hotel rooms, or planned for an economic downturn. These factors all contribute to why the Turlock Police Department has had to reduce the number of officers and why it cannot hire more.

Turlock Fire Department

For many years, the relationship between the City of Turlock and Turlock Fire personnel has been well-publicized as curious and contentious. Voters have long wanted to know:

- Why do costs continue to rise?
- How many staff are truly needed?
- How many Fire Trucks are enough?
- Why does the City of Turlock or the County contract for Emergency Medical Services when the quality of care and costs are questionable?

At the end of every discussion, decisions were deferred, and today we find that inaction, overspending, and over-promising have compromised the City of Turlock's ability to maintain its Fire Department. Concurrently, Fire Department personnel have been vocal about their struggle to reduce turnover levels and are adamant that more funds are needed to solve the problem.

Rather than revisit history, we must focus on a series of recommendations for how to best make the Turlock Fire Department more operationally and fiscally effective and efficient. Toward that end, please consider the following:

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Capture and Analyze Accurate, Timely, and Relevant Data

Numerous data points that would have helped inform this group's recommendations were not available because the system used to track and report data at the Fire Department is more than 20 years old. While the "tech" landscape has changed dramatically since the turn of the century, data capture and analysis should follow. Data-driven recommendations by city staff will give voters greater confidence in a return on investment and provide accountability for Fire Department management. Through multiple City Managers, positive change has not taken place. Today, with a new City Manager in charge, there is an opportunity to ensure that the implementation of the new system is done correctly to provide accurate, timely, and relevant data. This is needed before any consideration can or should be given to adding additional personnel or equipment.

Contract with AMR to provide faster service times for medical calls

According to the most recent data, 63% of all calls responded to by the Turlock Fire Department (TFD) were emergency medical service ("EMS") incidents. TFD, and firefighters in general, have a long history of providing emergency medical services and have served the public well. However, as the healthcare and geographical landscape changes, it is appropriate that the City of Turlock revisit this practice. Is it cost-effective for the TFD to serve as the community's primary EMS provider, while AMR has a contract to provide the same emergency services? As our economy has grown more complex and more specialized, we have independent organizations that can augment capacity at the TFD and make them safer by contracting to assist with EMS calls.

The City of Turlock should explore alternate delivery methods to maximize the efficiency of EMS services, with AMR to assist with medical-related calls. While cost will be an important consideration, AMR will have to meet other, non-monetary service-level agreements like the current standard of a five-minute response time. This cost and quality delivery analysis will provide the Turlock City Council and voters with a thorough understanding of what can and cannot be accomplished and the costs associated with each recommendation.

Restructure Medical Insurance and Salaries

Like the rest of the city government, it is time to determine whether:

- Turlock is competitive with other Fire Departments across the Central Valley, Oakland, and San Francisco. Are we paying too little for firefighters who have been here for five years, ten years, etc.?
- How do the City of Turlock Fire Department employee benefits compare to other communities? Are we overpaying, or paying too little?

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- Is there a better way to handle employee benefits for Turlock firefighters, such as grandfathering in all existing employees and requiring all new hires to be part of different health insurance and 401K plans? What are the long-term cost implications of these issues, particularly as the state Public Employee Retiree System (PERS) continues to financially devastate Turlock and other rural communities?

Reorganize the Fire Department

The City Manager of Turlock must explore the most cost-effective ways to provide Turlock with a Fire Department after completing the three preceding recommendations.

This should include, but not be limited to, exploring the creation of a regional Fire Department; reducing the full-time staff and replacing them with volunteers (for example, when serious accidents occur); and providing the Turlock City Council with an analysis of how many fire calls are received monthly and annually, how many are actual fire calls, medical calls (after contracting many EMS calls to AMR), or something else.

In addition to a structural reorganization, the TFD should utilize current best practices to ensure firefighter safety during high volume times. Data from fire departments across the nation validates data from TFD that 8 a.m. to 8 p.m. constitutes a peak time for service calls. In 2019, 67.5% of all calls came in during these peak hours. Staffing should reflect the change in need to make firefighters safer during peak times and reduce excess and costly capacity in non-peak times. To achieve this variability, the TFD should begin using 12-hour shifts that cover peak times. Hospitals have long employed this system with great success and fire departments across the country have developed models that fit the needs of their departments. The Fire Department should investigate the use of a mix of 24-hour shifts to cover non-peak level calls and 12-hour shifts to cover excess volumes of calls during peak hours. A mix of 24-hour shifts and 12-hour shifts reduces exposure for a wave of turnover for existing staff and increases marketability to local firefighters who want to go to work and come home each night with a more regular schedule. Twelve-hour shift personnel can also be more mobile and utilize SUVs, which reduces overhead.

Why do we find ourselves and our city in this predicament?

Three reasons: First, different priorities; second, lower revenues from taxes; and, finally, a lack of leadership.

Different Political Priorities

When the City of Turlock was in a healthier financial position, it failed to plan. While it had a rainy-day fund ("reserve"), the assumption was that city leaders would not keep on spending. It appears that some elected officials viewed the rainy-day fund as a go-to pot of money to

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address the political needs of those running for office, the unions supporting them, or the unions from whom politicians were seeking support. Regardless of the reason, changes in employee benefits (salaries and benefits) were made that were counter to the interests of Turlock taxpayers.

For example, former elected officials negotiated union contracts that gave salary increases and greater pension benefits to certain city employees. The number of firefighter positions was expanded, and the public employee health plan was left virtually untouched. This meant city employees continued to receive their health insurance for free.

Conclusion:

This report contains a series of recommendations and it is important to remember that ultimately, the Turlock City Manager has the responsibility to recommend a path forward to the City Council. At that point, the Mayor and the City Council will work with the Turlock City Manager on how best to address Turlock's economic future. This report is only a roadmap. The ultimate decision-making rests with the Mayor, City Council and City Manager. It is a team approach, not one driven by any one person. Hopefully, the voters will see collaboration, cooperation and caring about the future of Turlock.

Item No.	Item Description	Department	CBA?	Implementation	Feasibility	CPAC Estimated Savings	City Estimated Savings	Priority	Notes
1	City employees pay a percentage of their health insurance premiums - existing employees would be fully covered and family coverage would be at employee's expense. City employees hired after 6/1/20 will pay a premium for themselves and family.	City-Wide	Yes						
2	Effective 1/1/21, new employees are enrolled in a 401k plan instead of PERS, with the City matching the first 5% of the employee's contribution	City-Wide	Yes						
3	Determine the annual revenue needed to cover current and future retiree benefits	City-Wide	No						
4	Fully fund the Police Department by December 2020, taking effect 7/1/22	Police Dept.	No						
5	Establish a series of strong, positive communications, in English and Spanish, in support of the sales tax measure, addressing the following criteria: (1) amount of the sales tax, (2) reason for the tax, (3) how the tax will improve public safety, (4) how the tax will address the unfunded pension liability, (5) how COVID-19 impacted City finances both current and future, and (6) what happens if the tax does not pass	City-Wide	No						
6	Council members and CM need to convincingly articulate their understanding of the current situation and develop a plan to reduce expenses	City Council, CM	No						
7	Contract with a communications consultant to craft the critical elements of a message in support of a sales tax measure that all City leaders and other trusted influencers can use to communicate to voters	City Council, CM	No						
8	Implement a minimum one-cent general sales tax increase with no sunset clause	CM	No						
9	Establish a citizen's oversight committee, consisting of: 1 business owner and 1 private citizen from each district, with either an accounting or finance-related background, and the ability to read and understand financial statements.	City Council, CM	No						
10	Restore reserves to no less than 7% of the GF budgeted expenses	City Council, CM	No						
11	Increase overtime budget by \$400,000 (police officers and dispatchers)	Police Dept.	No						
12	Increase police force with 18 officers and related equipment	Police Dept.	No						

Community Priorities Advisory Committee (CPAC) Report

Item No.	Item Description	Department	CBA?	Implementation	Feasibility	CPAC Estimated Savings	City Estimated Savings	Priority	Notes
13	Medical insurance premiums should be tied to salary to ensure lower-wage employees have affordable coverage	City-Wide	Yes						
14	Prescription drugs should be: \$5 copay for multi-source generic medications, \$35 for single-source generic medications, and \$70 for brand-name medications. Specialty medications would be sold at a 20% copay and be capped at \$1,000 per year.	City-Wide	Yes						
15	Utilize PhRMA company Patient Assistance Plans, when offered, and use copay assistance cards for generic equivalent medication	City-Wide	Yes						
16	Explore a Kaiser Health Plan to evaluate savings to taxpayers	City-Wide	Yes						
17	Reduce the in-lieu for those employees who do not use the City's insurance to \$150/month. Starting 1/1/22, new employees should not receive in-lieu benefits.	City-Wide	Yes						
18	City retirees who are not eligible for Medicare but have a dependent who is eligible should be required to enroll the dependent in another public or private benefit plan	City-Wide	Yes						
19	Employees' medical premiums should increase annually based on the standard increase in the health insurance plan	City-Wide	Yes						
20	Dispense as Written prescriptions should be replaced by the lowest-price equivalent medication	City-Wide	Yes						
21	Eligible medications should be based on the specific health insurance option selected by the employee	City-Wide	Yes						
22	Develop a list of medications to include and exclude through a collaboration between City management, bargaining groups and the third-party administrator / pharmacy benefits manager	City-Wide	Yes						
23	Establish a diabetes pilot project for employees with Type 1 or Type 2 diabetes, to provide all medications free of charge for two years	City-Wide	Yes						

Community Priorities Advisory Committee (CPAC) Report

Item No.	Item Description	Department	CBA?	Implementation	Feasibility	CPAC Estimated Savings	City Estimated Savings	Priority	Notes
24	Offer two health insurance plan alternatives to employees: 1) A high-deductible plan, or 2) A three-tiered plan with varying benefits based on the monthly premium amount desired. The lean plan would have the lowest monthly premium with the highest deductible and limited approved physicians, hospitals and medications. The mid-range plan would have a higher monthly premium with a lower deductible and a broader choice of physicians, hospitals and medications. The premier plan would have the highest monthly premium with the lowest deductible and a comprehensive choice of physicians, hospitals and prescriptions.	City-Wide	Yes						
25	In-lieu compensation should be eliminated if both spouses work for the City and only eligible for single plans rather than dual coverage, with premiums based on the lower of the two annual salaries	City-Wide	Yes						
26	Eliminate retiree coverage for all new hires, effective 7/1/20	City-Wide	Yes						
27	Retirees with family members on their medical insurance plan who are eligible for Medi-Cal for Veteran's benefits must enroll in those programs by 7/1/20, applying only to retirees who retire after 7/1/20	City-Wide	Yes						
28	Develop competitive salaries and benefits to aid employee retention and recruitment	Police Dept.	Yes						
29	Hire 18 officers and purchase related equipment	Police Dept.	No						
30	Develop a system to track and report data to inform recommendations, calculate return on investment and provide accountability	Fire Dept.	No						
31	Explore alternate delivery methods to maximize the efficiency of EMS services with AMR to assist with medical calls and meet the five-minute response time standard	Fire Dept.	Yes						
32	Determine if Turlock firefighter pay is competitive with others in the Central Valley, Oakland and San Francisco and if long-term employee pay is comparable	Fire Dept.	Yes						
33	Analyze Turlock Fire benefits with other communities to compare costs	Fire Dept.	Yes						

Community Priorities Advisory Committee (CPAC) Report

Item No.	Item Description	Department	CBA?	Implementation	Feasibility	CPAC Estimated Savings	City Estimated Savings	Priority	Notes
34	Explore different health insurance and 401k plans for existing employees and new hires, considering the long-term financial implications of benefits and PERS	Fire Dept.	Yes						
35	Consider a structural reorganization, including the creation of a regional Fire Department, reducing the full-time staff and replacing them with volunteers	Fire Dept.	Yes						
36	Provide Turlock City Council with an analysis of Fire calls, monthly and annually	Fire Dept.	No						
37	To ensure Firefighter safety during peak times, explore the creation of two shifts: 1) a 24-hour shift to cover non-peak level calls, and 2) a 12-hour shift to cover excess volumes of calls during peak hours	Fire Dept.	Yes						